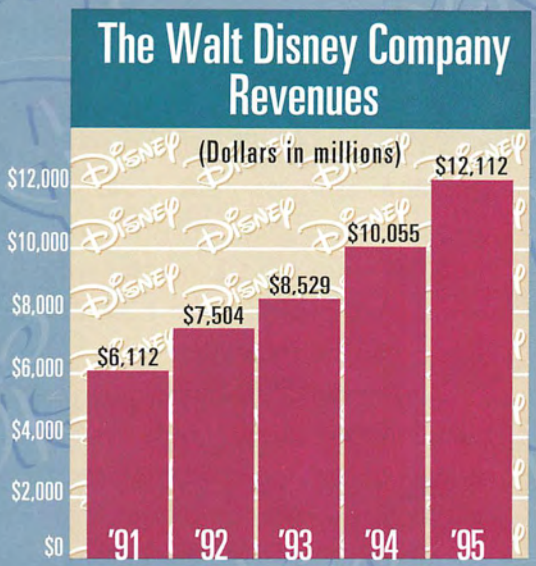
The Walt Disney Company

1995 ANNUAL REPORT

Capital Cities/ABC

FINANCIAL HIGHLIGHTS

(In millions, except per share data)	1995	1994	Change
Revenues	**$12,112.1**	$10,055.1	+20%
Operating income	**2,445.7**	1,965.7	+24
Net income	**1,380.1**	1,110.4	+24
Earnings per share	**2.60**	2.04	+27
Return on stockholders' equity	**23%**	21%	
Cash flow from operations	**3,510.1**	2,807.3	+25
Stockholders' equity	**6,650.8**	5,508.3	+21
Book value per share	**12.68**	10.51	+21



In 1995, The Walt Disney Company reported record revenues of over $12 billion, a 20% increase over the prior year period.

To Disney Owners and Fellow Employees:

What a difference a year makes!!

Those of you who follow Disney probably know about the changes that have taken place at your company, mainly the solidification of our management and the acquisition of Capital Cities/ABC, but few can appreciate how relieved I am to be able to write an annual report feeling so comfortable about those changes. Where sadness hung its head over me last year because of the tragic death of our president, Frank Wells, followed by an emergency heart operation for me, this year was quite the opposite. The only operation this year was the continued operational strength of your company. The only surgery was in making our movies, television shows, and live performances leaner and better. The only triage was the saving, curing and celebrating the performance of Disneyland in Paris. And during this year when your company's revenues rose 20% to $12.11 billion and operating income grew 24% to $2.45 billion and earnings per share grew 27% to $2.60, I had one son graduate from college, another earn his degree from graduate school, and a third post three hockey shutouts in goal as a 16-year-old.

I usually write this letter on my way home from Thanksgiving in Vermont. This year is no exception. Bob Stern, board member and noted architect, sits to my left. We just finished talking about how to renovate Anaheim Stadium, where the Angels play. Jane, my wife, is on my right where the conversation is about The Disney Institute in Florida, a new project where fun and enrichment will come together at Walt Disney World in February. My sons' interests are frankly more directed to the recently announced engagement of their cousin Amy than anything at Disney. Even the record-breaking early box office grosses of *Toy Story* cannot compete with wedding plans. But I now have to tear myself away from family gossip (who is dating whom, what my mother plans to give for Christmas, etc.).

Cosmically speaking, we successfully engineered three stellar events that will affect the future alignment of Disney's planets. We attracted to the company a new president, Michael Ovitz, a close friend and an extraordinary executive. We attracted a new chief financial officer, Steve Bollenbach, another all-star executive who comes to us from Host Marriott, where he was CEO. Both Michael and Steve join Sandy Litvack, our chief of corporate operations, to round out our corporate "backfield." And thirdly we bought a rather large company, a company that Mickey has discovered on the cover of this annual report.

I have written on and off over the last 11 years about my feelings about acquisitions and their dangers. Although I always left open the possibility of an appropriate merger or acquisition for our company, I did express caution, noting how many are made in a cauldron of CEO egos and stirred with rationalization.

There does come a time, both for economic and strategic reasons, when an acquisition comes along that makes great sense. The combining of the ABC assets with the Disney assets is one of those times.

Eleven years ago I took, and since have retaken and retaken again and again, a crash course in financial management from Gary Wilson (our original 1985-era CFO and now valued board member) and Sid Bass (our largest shareholder and wisest cheerleader). I learned and reviewed every year the following:

A company's management (meaning me and our senior executives) must use excess cash flow in at least one of four different ways...

We can invest that cash in extensions of our current businesses. We have done that continually. Disney's Animal Kingdom being built now at Walt Disney World is but one example.

Michael D. Eisner, chairman and chief executive officer

We can repurchase our own shares from time to time when market conditions seem appropriate. Disney has done that effectively over the years.

We can distribute excess cash by paying out a large one-time-only dividend to our shareholders in addition to our regularly scheduled dividend that has grown at 20% per year. This we have not done because our shareholders have expressed the desire that we use the company and its assets to gain higher returns on cash than individuals can ordinarily achieve.

Or we can make an acquisition. For the Disney company, we believe that an acquisition must be in a related and complementary field, a field that the current management understands fully, and at a price that is fair and appropriate.

Our list of potential companies to ally ourselves with has always been short. To emphasize the importance of knowing how to manage a new company, I have joked in the past to our strategic planning group that any company I had not personally worked at before joining Disney could not be on our list. It happens that I worked at ABC from 1966 to 1976. I sat in every programming office on the 37th floor at the ABC headquarters in New York during my tenure. I watched Leonard Goldenson build the company while I was running around involved with specials,

soap operas and game shows, children's programs, television movies, mini-series, and of course prime-time programming. I watched Roone Arledge create modern television sports coverage and later the preeminent news division in television. I began at the network two years after Peter Jennings did. I watched ABC go from an also-ran network, a network that critics called fourth of three, to first place in every area in which it operated. When I was at Paramount following my years at the network, we placed five of the top ten shows on ABC. Within three years of our management's arrival at Disney, our best and most profitable television relationship was with ABC.

Walt Disney felt about ABC the same way I do. ABC helped finance Disneyland in 1955, and Walt Disney brought the ABC network to Hollywood with his revolutionary showcase that we today know as *The Wonderful World Of Disney*.

In 1986 Capital Cities, with the help of Warren Buffett, acquired ABC and brought the company to new heights. Tom Murphy and Dan Burke operated ABC to perfection. For a decade, ABC has been run as the premier broadcast entity in the world.

Everything seems in place for a successful corporate marriage of Disney and Cap Cities/ABC. When the arrangement finally happened, it was done quickly, effortlessly, and happily. The families of the bride and groom had known each other for years.

For a decade, I had talked to my wife about two situations that would make Disney better and my life easier. One was a merger with ABC, which was announced on July 31. The other was to persuade Michael Ovitz to come to work at the company. Two weeks after startling the entertainment world with the Cap Cities/ABC announcement, we startled it again by naming Michael Ovitz president of The Walt Disney Company.

As founder and CEO of Creative Artists Agency, Michael built the most powerful talent agency in Hollywood history. His success is unparalleled in the entertainment industry. I have known him, worked with him, vacationed with him and his family. Not only will he be the perfect president of the company, but he is a trusted friend. I already have creative notes from his three children, notes about improving Disneyland and The Disney Channel and a full presentation on an interactive CD-ROM game from an eight-year-old point of view. They are the same age as my children were when I came to the company. Our new research department!

With Michael, Steve Bollenbach and Sandy Litvack, I believe I have enlisted the best of the best to help Disney move forward in the rapidly evolving world of entertainment and communications. And with the division heads like Joe Roth and Dennis Hightower in film and television entertainment, Bo Boyd in Consumer Products, Judson Green in Attractions, Peter Rummell in Disney Development and Marty Sklar in Walt Disney Imagineering, Larry Murphy in Strategic Planning, and Bob Iger at ABC, The Walt Disney Company is positioned for the millennium.

Each of the operating divisions not only had a very profitable year but created new and interesting artistic ventures. All our parks, Walt Disney World, Disneyland, Disneyland Paris and Tokyo Disneyland, not only had outstanding attendance but outstanding new projects. And Feature Animation did it again. *Pocahontas*, directed by Mike Gabriel and Eric Goldberg, was beautiful and moving and funny and very successful. And just now as *Pocahontas* breaks records outside the United States, *Toy Story*, directed by John Lasseter and produced by Ralph Guggenheim and Bonnie Arnold, takes over the number one box office spot in this country. Peter Schneider and Tom Schumacher and the entire animation department need to be lionized again and again.

Remember *Beauty and the Beast?* Well, the Alan Menken/Howard Ashman/Tim Rice animated

musical has synergistically moved to Broadway and seven other cities. This Rob Roth-directed musical has now been on the Great White Way more than 90 weeks, and well over a million theatergoers have seen the production as it continues to set records at the Palace Theater.

The Los Angeles production opened in April. It was followed by the Australian production in Melbourne in July. Toronto debuted in August, Vienna in September. The National Road Show opened in Minneapolis on November 15. Nearly 500,000 tickets were sold in advance in Japan, where the show opened on Thanksgiving day in Tokyo, and in Osaka in December. There are more productions scheduled for 1996 and beyond, including London and Germany. I love this show. I love it in English. I love it in German, and in Japanese. It is great to see each cast reinterpret the material. I have seen it at least 30 times. You would think one of my kids wrote it! We are encouraged. There will be a new Disney Broadway musical every year beginning in the spring of 1997.

The reissue of *Cinderella* on home video this fall turned out to be a true Cinderella story for Disney shareholders. The classic sold seven million units when we first released it in home video in 1988. It later sold some six million units overseas. We are now on track to sell 14 to 15 million units in its current domestic re-release.

During October and November I attended Disney synergy meetings in Paris (involving our European operations) and Tokyo (covering Asia). Michael Ovitz and I traveled to these parts of the

Michael Ovitz, president

world not only to introduce him to our worldwide cast and operations but to encourage the cross pollination of our Disney movies in every other part of the company. I am convinced that these meetings, which we hold on a regular basis, are one of the prime reasons that our company has grown as rapidly as it has.

Shortly after Frank Wells and I came to the company in late 1984, we launched this idea of bringing the heads of each division together, along with their top area management (64 people in the case of the recent European meeting). Beginning in 1985, we put together a plan for how each division could promote other divisions, how each division could promote Euro Disney, how television could be used in each country as a franchise establishment and how the company could benefit by general teamwork. We did and do it in the U.S. We did and do it in Europe and in Asia. We will start doing it in Latin America.

What happens is amazing!! Like Father's Day at a grade school, all the homework miraculously gets done in advance. In our case, I sometimes think the actual meeting is not what counts the most. It is all the preparation that everyone does in advance. That's what counts. Of course we do meet, because if we ever canceled (even once), we would jeopardize the strategy, jeopardize our devotion to synergy. Instead, I'm always awed by how hard all divisions work to impress the others with the breadth and creativity of their synergistic initiatives. You now have my whole philosophy of business, born at ABC, nurtured at Paramount and perfected at Disney. It is this: call meetings about subjects that really matter—and show up!

. . . .

Ever since we announced our proposed acquisition of Cap Cities/ABC, I have been giving a lot of thought to our course for the future. In a quiet moment on an airplane en route to San Francisco to visit our recently-opened megastore on Post Street (one of 105 new stores we opened during the fiscal year), I put down some thoughts that I wanted to share with our board of directors—ideas that I feel should guide me, Michael O., Sandy, Steve and our management team as we move into the future. Many of these ideas are not new. They are the same ones that have guided us in the past, but at this historic juncture, I believed they deserved restatement for our board. Several of those board members, in turn, thought I should share them with you, our employees and shareholders. So here they are:

• Our goal is to increase wealth for our shareholders. We must do this while never forgetting the value of our Brand, never forgetting our responsibility to our cast members, never forgetting the communities in which we serve and never forgetting the high quality standards of our work. We must always operate in an ethical way and never take the expedient or slippery path.

• Our goal is to increase creative productivity through superior work. We will build upon our conviction that doing it better pays off, that short cuts lead to short earnings and that setting the highest standards drives the highest results. The rush to mediocrity, the rush to short-term results, and the acceptance of the lowest common entertainment denominator do not work for us. We believe in always striving for excellence. We believe we have an obligation to carry on the Disney tradition.

• Because many other corporations and individuals may not share our beliefs, or because they may have shorter-term financial needs than we have, or because they may be run for management by management, we are generally wary of partnerships and joint ventures. When we do enter into shared relationships, usually outside the United States, we should not give up creative control.

• We are fundamentally an operating company,

operating the Disney Brand all over the world, maintaining it, improving it, promoting and advertising it with taste. Our time must be spent insuring that the Brand never slides, that we innovate the Brand, nurture the Brand, experiment and play with it, but never diminish it. Others will try to change it, from outside and from within. We must resist. We are not a fad! The Disney name and products survive fads!

• We must concentrate on continuing to lead creatively. We must throw out mediocrity. Our only criteria for our products should be excellence and fiscal viability. We must not commit to anything that is cheap and average or expensive and average. Average is awful. We must, however, not commit to any venture, no matter how great, unless the project can promise a good fiscal return.

• Our strategic direction is quality and innovation. We know our audience, and predominantly it is a family audience. We should not lament that others appeal more strongly to the disenfranchised teenage audience. They always come back when they become re-enfranchised adults with children. And, of course, part of our strategic direction centers on bringing Capital Cities/ABC into the Disney family in a comfortable and collegial way. At the same time our strategic direction must be continually questioned by management and the board. It is highly unlikely that it will be radically changed, but it should certainly be tweaked and improved to reflect changing needs and desires of an evolving marketplace. The Cap Cities/ABC deal was part of that process.

Those are my general thoughts at this important moment as we move toward the challenges of the millennium. We are moving into the new electronic age with a new president, new chief financial officer and new chief of corporate operations. We move into the new information age with a new broadcast business. It seems an appropriate time for some introspection — and for continued action. In both cases, we ought to have a good time doing what we do. Achieving excellence should be fun, and if we have fun, it will be reflected in the quality of our products.

Before leaving this letter, I would like to offer my sincerest thanks to all our Disney cast members for their continuing great efforts in behalf of our company and to thank them for being involved philanthropically in their communities.

I know Disney shareholders everywhere will be proud of the following figures: During fiscal 1995, a total of 27,435 Disney cast members worldwide, working through the Disney VoluntEARS Program, donated 227,102 hours of community service in 361 separate projects involving charities and agencies ranging from the American Cancer Society to Pediatric AIDS. Much of the volunteer work involves helping children, which is only appropriate for a company named Disney.

And finally, on behalf of Disney cast members everywhere, from the most recent senior manager, Michael Ovitz, to the one with the longest tenure, Roy Disney, on behalf of us all, I want to welcome the new cast members joining us as a result of our merger with Capital Cities/ABC. Capital Cities and Disney share many of the same values and virtues. I can promise you that Disney is a very exciting place to work, and I hope your transition will go as smoothly as mine did eleven years ago. I look forward to working with all of you as we move forward together.

Sincerely,

Michael D. Eisner
Chairman and CEO

Disney
Capital Cities/ABC

Thomas S. Murphy

When Disney and Capital Cities/ABC shareholders held special meetings early in 1996, they approved an acquisition that will create exciting new opportunities out of the complementary strengths of each company.

The Disney-Cap Cities liaison creates a company with combined assets of more than $30 billion and a market capitalization of some $50 billion, a global enterprise capable of creating, packaging and distributing quality entertainment, news and sports programming here and overseas.

The merged company joins Disney's motion picture and television production expertise with the broadcast delivery capabilities of one of the country's leading television networks.

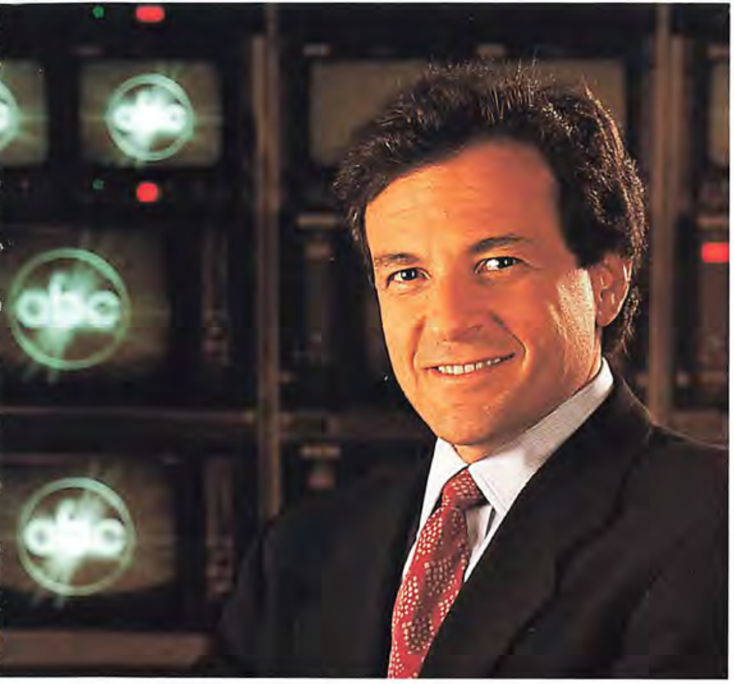
It also offers Disney a wide variety of opportunities in international TV markets where the ESPN cable sports networks are very popular and gives Disney equity interests in television production and cable companies in Europe and Japan.

How well do Disney and Cap Cities/ABC fit?

Entertainment analysts generally agree that the linking of the two companies will produce heightened opportunities for synergy in production, programming and distribution that neither could achieve alone.

Cap Cities is a widely diversified broadcaster and publisher. It owns and operates the ABC Television Network Group, which distributes programming to 224 affiliated stations; 10 television stations, six of them in the nation's top 10 markets; ABC Radio Networks serving more than 3,400 radio stations; and 21 AM and FM radio outlets, all in major U.S. markets.

Thomas S. Murphy, chairman and chief executive officer, above, and Robert A. Iger, president and chief operating officer, above opposite, have shared the leadership of a highly profitable Capital Cities/ABC, Inc. After the acquisition, Murphy will become a Disney director and Iger will continue to serve as president of ABC, reporting to Disney President Michael Ovitz.



Robert A. Iger

The ABC Cable and International Broadcast Group is the majority owner of ESPN and ESPN2 here and overseas and is a partner in the A&E and Lifetime cable networks in the U.S. ESPN reaches more than 66 million cable subscribers, or about 70 percent of U.S. TV households, and is seen in 130 countries in 11 different languages.

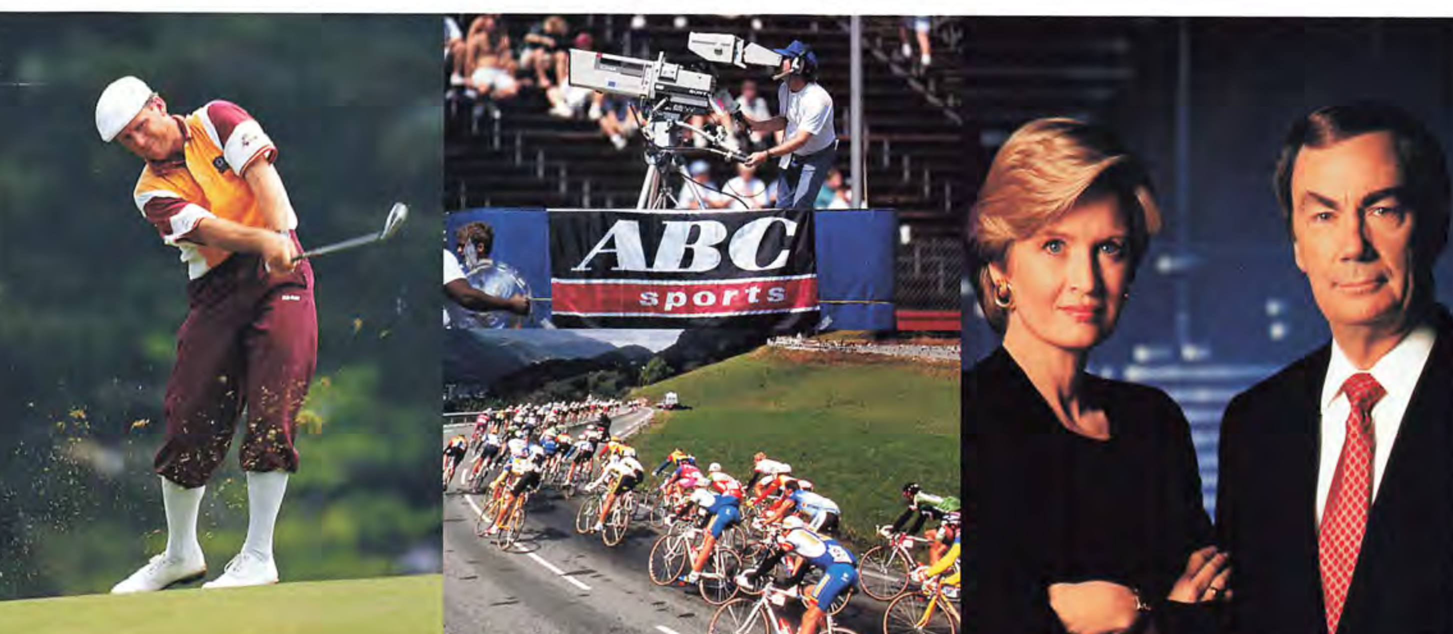
Overseas, Cap Cities/ABC holds minority interests in the German production and distribution companies Tele-München and RTL-2, Hamster Productions and TV Sport of France, Tesauro of Spain, the Scandinavian Broadcasting System, Eurosport of London and the Japan Sports Channel. In addition, it has launched two children's television program services in China.

Cap Cities/ABC Publishing Group owns and operates 7 daily newspapers, including the nationally respected *Kansas City Star* and *Fort Worth Star-Telegram*. It also publishes weekly newspapers and shopping guides in several states.

The company's Diversified Publishing Group produces more than 100 periodicals, including publications in fields as varied as automobile repair and ophthalmology, electronic components and industrial safety. Another subsidiary, Fairchild Publications, produces 14 periodicals, including *Women's Wear Daily* and *W*.

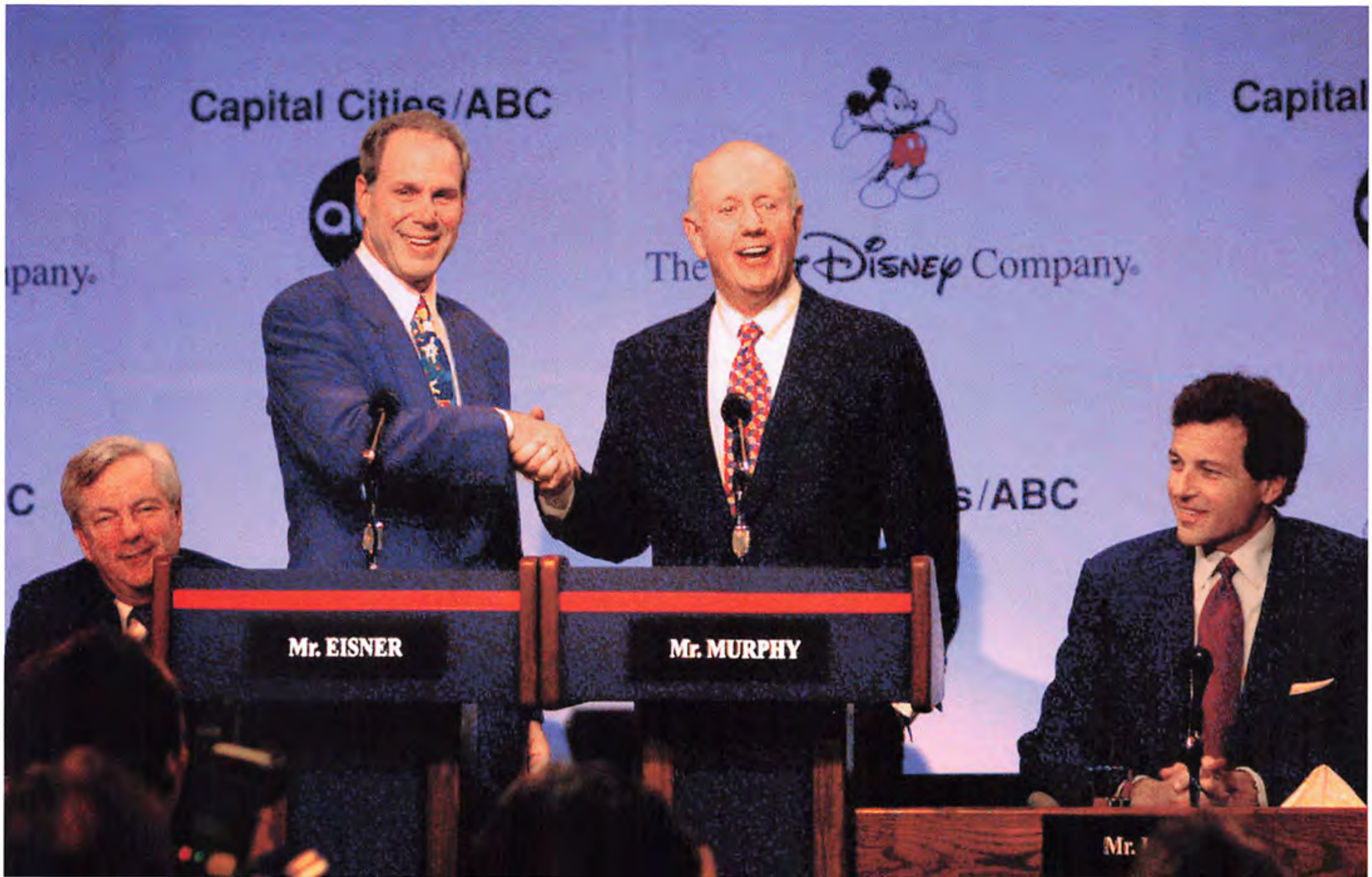
While many financial observers were astonished by the sheer dimensions of the deal, Disney Vice Chairman Roy E. Disney brought the proposed union of the two companies into perspective:

"This is the only major acquisition we've undertaken in these last 11 years," he said. "It is a very conservative thing to do."



Opposite and above, familiar personalities and scenes from the ABC Television and Radio Networks, leaders in news, sports and entertainment: L. to R. figure skater on ABC special; ABC Radio's venerable Paul Harvey; Al Michaels, Dan Dierdorf and Frank Gifford on ABC's *Monday Night Football*; Kermit the Frog, who will lead a company of Muppets in an ABC series. Bottom above, scenes from ABC's *Wide World of Sports* and Diane Sawyer and Sam Donaldson, who co-anchor *PrimeTime Live*.

MORE FAMILIAR SCENES AND PERSONALITIES. CLOCKWISE FROM UPPER LEFT: ESPN, AMERICA'S MOST WATCHED SPORTS CHANNEL, COVERS SPORTS OF EVERY DESCRIPTION; CHARLES GIBSON INTERVIEWS U.S. PRESIDENT BILL CLINTON ON *GOOD MORNING AMERICA*; JOAN LUNDEN, CO-HOST OF *GOOD MORNING AMERICA*; PIT STOP AT THE INDY 500; TED KOPPEL, WHO ANCHORS THE LATE NIGHT *NIGHTLINE*, CURRENTLY POSTING ITS STRONGEST PERFORMANCE EVER.



IT'S A DEAL. ABOVE, DISNEY CHAIRMAN MICHAEL D. EISNER AND CAPITAL CITIES CHAIRMAN THOMAS S. MURPHY AT PRESS CONFERENCE ANNOUNCING THE MERGER BY ACQUISITION OF CAPITAL CITIES/ABC INC. THEY ARE FLANKED BY DISNEY CHIEF FINANCIAL OFFICER STEPHEN F. BOLLENBACH, LEFT, AND ABC PRESIDENT ROBERT A. IGER. BOTTOM LEFT, PETER JENNINGS, ANCHOR AND SENIOR EDITOR OF *ABC NEWS* AND *WORLD NEWS TONIGHT*, REPORTS FROM A BATTLEFIELD IN BOSNIA. BOTTOM RIGHT, HUGH DOWNS AND BARBARA WALTERS, WHO CO-HOST *20/20*.

abc SPORTS DNR A&E TIME WELL SPENT Sportstyle Fort Worth Star-Telegram SN Supermarket News

YEAR IN REVIEW

Disney's announcement that it would acquire Capital Cities/ABC, Inc. towered over all other news of the company in 1995. Even so, the company was in the headlines throughout the fiscal and calendar year on several other fronts.

Walt Disney Motion Pictures produced a string of hits, starting with *The Santa Clause* for the 1994 holiday season. Despite its subject, the film continued strong into the new year, eventually grossing $145 million to become the most successful Walt Disney Pictures live-action film in history.

ABOVE, BLIZZARD BEACH, A WATER PARK THEMED AS A SKI RESORT COMPLETE WITH SNOW-CAPPED MOUNTAINS, GLACIERS AND SKI LIFTS, OPENED AT WALT DISNEY WORLD DURING 1995. OPPOSITE LEFT, ROY E. DISNEY, VICE CHAIRMAN, THE WALT DISNEY COMPANY; RIGHT, SANFORD M. LITVACK, SENIOR EXECUTIVE VICE PRESIDENT AND CHIEF OF CORPORATE OPERATIONS.

As final calendar 1994 industry figures were tallied, Disney once again led the way, becoming the first studio to achieve total U.S. grosses of more than $1 billion. It just missed the $1-billion mark in international markets, where it also outdistanced other studios.

In New York City in June, *Pocahontas* drew more than 100,000 people to Central Park for the largest movie premiere on record. The film grossed $29.5 million when it opened a week later—the second-highest weekend gross in studio history—and eventually reached more than $140 million in domestic box office receipts, the industry's third-best total of 1995.

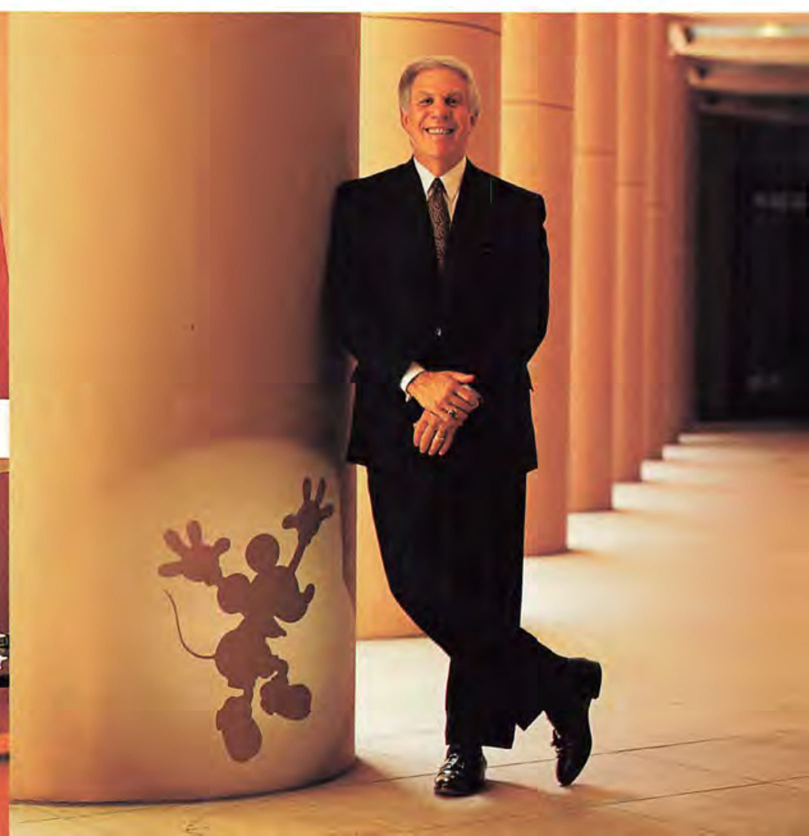
Home Improvement remained one of the most-watched TV shows in the nation, Buena Vista continued as the leader in home video sales and Miramax Pictures electrified U.S. audiences with *Pulp Fiction*. The Disney Channel reached 15 million subscribers in 1995, representing its greatest year in subscriber growth.

The theme parks also forged ahead. Tokyo Disneyland, the Magic Kingdom at Walt Disney World and Disneyland all set attendance records, ranking first, second and third as the best-attended parks in the world. In addition, Disneyland Paris showed marked improvement in attendance as well as in hotel occupancy.

Walt Disney World announced a major expansion. Plans include Disney's Animal Kingdom, the resort's fourth theme park, and the doubling in size of the Disney Village Marketplace.

Many of these projects—and others in Japan, Europe and California—are being created by Walt Disney Imagineering, a division of Disney Design and Development. The Imagineers conjure up thrill rides, lighting and special effects, Audio-Animatronic® characters and the story lines that go with the attractions. They also provide design and technical assistance to other Disney operations, including The Disney Store.

Around the world, Disney characters continued to spread their magic, as demonstrated by the surge in Disney Consumer Products revenue to more than $2 billion for the first time. The growth was propelled by strong sales of *The Lion King* and *Pocahontas* merchandise as the division stretched out into new businesses and new markets.



James Barbour (opposite) prepares to play the Beast in the Los Angeles production of *Beauty and the Beast* by spending almost an hour in makeup before going onstage. Above left (clockwise), artists hand paint cels for Disney Classic collectors; the big news at Disneyland Paris in the summer was the opening of Space Mountain; a popular Planet Hollywood restaurant opened in late 1994 near Walt Disney World's Pleasure Island; Marie Osmond, Amy Hill and Betty White star in *Maybe This Time*, a new series from Buena Vista Television which debuted on ABC in the fall.

FIRST FISCAL QUARTER 1995

October-December 1994

In Florida, Disney's All-Star Music Resort made its debut, featuring larger-than-life icons reflecting calypso, rock 'n' roll, Broadway and country music. This new hotel increased the number of rooms on the Walt Disney World property to approximately 21,500.

Epcot introduced the *Honey, I Shrunk the Audience* 3-D feature film at Kodak's Journey Into Imagination pavilion. Guests screamed, laughed and jumped out of their seats as the special effects made snakes, mice and a sneezing dog come to life—seemingly off the screen!

A Planet Hollywood restaurant opened near Pleasure Island at Walt Disney World. It is the largest outlet in the chain, which does business from London to Hong Kong.

Walt Disney Television International was created to oversee all of Disney's television activity outside the U.S., consolidating international distribution arm Buena Vista International with international pay-TV and Buena Vista Productions International. The new organization is also responsible for all Disney broadcasting operations worldwide, including international Disney Channels and the evaluation of new international broadcast investment opportunities.

The first Walt Disney Gallery opened in November in a Santa Ana (Calif.) mall. This expansion of The Disney Store concept offers collectible Disney paintings, apparel and home furnishings by noted artists.

Sales of merchandise tied to *The Lion King* reached $1 billion at retail, a record for film merchandising. The products continued their strong performance into the spring.

Disney Club in India—one of more than 35 *Disney Club* programs broadcast internationally to a weekly global audience approaching 130 million—premiered on the subcontinent's Doordarshan network. The new Indian version is distributed through a joint television venture between Buena Vista Television (India) and The Modi Group.

By the end of 1994, The Walt Disney Company reached an all-time recycling rate of more than 73,600 tons per year. As a result, Disney was awarded the U.S. Conference of Mayors' Grand Challenge Award for workplace recycling—one of the country's highest awards for recycling.

SECOND FISCAL QUARTER 1995

January-March 1995

The National Society of Film Critics handed Miramax seven awards, more than any other distributor. *Pulp Fiction* received three awards, including best picture, and Jennifer Jason Leigh was named best actress for her role in *Mrs. Parker and the Vicious Circle*.

Disneyland kicked off 1995 with a year-long 40th-anniversary celebration. A highlight was the March opening of the Indiana Jones Adventure, The Temple of the Forbidden Eye, which drew huge crowds throughout the year.

The second annual Walt Disney World Marathon attracted more than 8,000 runners in January for a purse of $125,000. That same weekend, the 5K Fun Run raised $10,000 for Give Kids the World, an organization that arranges last-wish vacations for terminally ill children and their families.

The resort announced a $1 million donation to the new Orlando Science Center—the single largest corporate donation made to the facility's $44-million fund-raising campaign.

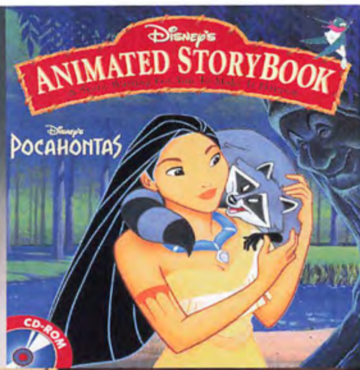
New Tomorrowland opened at the Magic Kingdom. This "city of the future," brought to present-day reality by Disney's Imagineers, portrays tomorrow as dreamed by futurists, visionaries and science fiction writers from the past. *Timekeeper* takes guests on a trip through time in the resort's newest Circle-Vision 360 film, guided by an Audio-Animatronic® character with the voice and signature humor of Robin Williams.

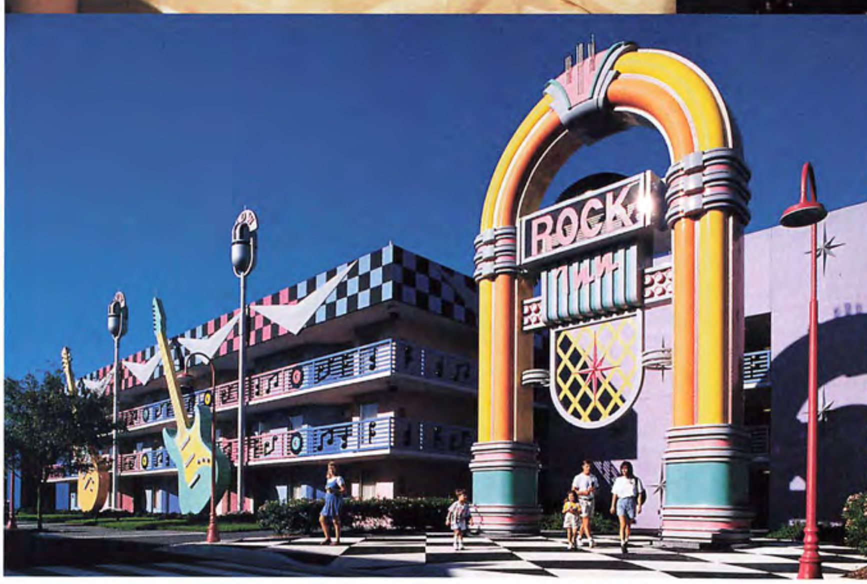
The five best-selling children's books of 1994 all came from Disney. The company also had more titles in the top 100 than any other publisher.

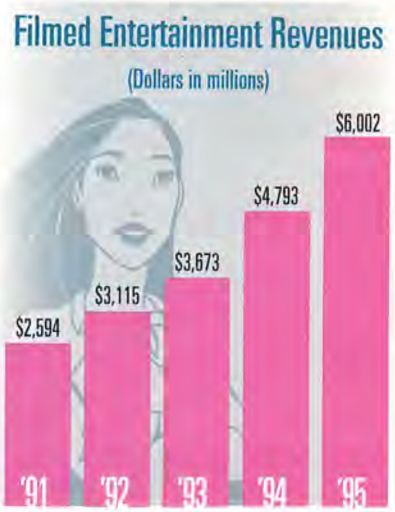
March brought the 67th Academy Awards and more honors. *The Lion King* received Oscars for best original score and best original song. *Pulp Fiction* won for best original screenplay.

OPPOSITE, A DISNEY ARTIST PUTS THE FINISHING TOUCHES ON A MODEL OF THE WICKED WITCH FROM *SNOW WHITE AND THE SEVEN DWARFS*.

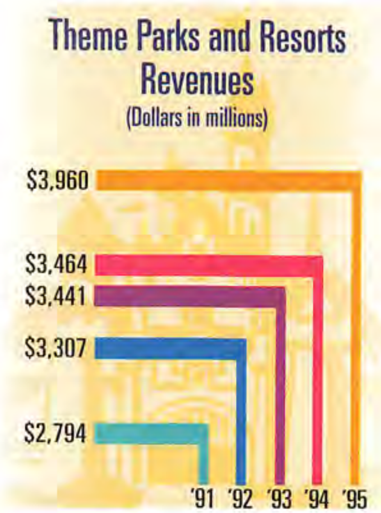

Disney
ENCYCLOPEDIA
OF
BABY
&
CHILD
CARE


Disney's
ANIMATED STORYBOOK
Disney's
POCAHONTAS
CD-ROM

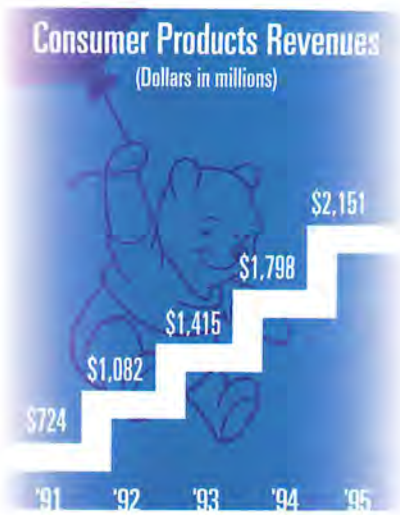

ROCK



With a record year in home video, television and at the box office, Disney's Filmed Entertainment revenues grew 25% over the prior year and posted over $6 billion in revenues.



Combined record attendance at domestic theme parks and new hotel rooms contributed to Theme Parks and Resorts' healthy 14% revenue growth in 1995.



Consumer Products reported revenues of more than $2.1 billion. This 20% year over year growth was led by strong character merchandise licensing and the continued expansion of the Disney Stores.

Miramax received 22 award nominations, more than any other studio. Martin Landau was named best supporting actor for *Ed Wood* and Dianne Wiest best supporting actress for *Bullets Over Broadway.*

The People's Choice Awards honored Tim Allen as top male television performer (*Home Improvement*) and Ellen DeGeneres as best female TV performer in a new series (*Ellen*). Allen was also cited as best actor in a comedy motion picture (*The Santa Clause*).

In March, Buena Vista released *The Lion King* in home video. The highly successful movie turned out to be equally popular on videotape, selling 20 million cassettes in just six days—the fastest-selling home video product of all time! *The Lion King* went on to sell more than 30 million units, an industry record. Near the end of the calendar year, an additional 23 million units of *The Lion King* were shipped for sale in international markets.

Earlier in the year, two familiar titles led the way in overseas sales. *Aladdin* sold 15 million units outside of North America; *Snow White and the Seven Dwarfs* reached 16 million. Between them, they broke sales records in virtually every territory Disney serves. The overseas sales of *Snow White* brought the worldwide total to 38 million units. The international video sales of *Aladdin* brought its worldwide total to 40 million units.

The Disney Channel won seven CableAce awards, including writing honors for *On Promised Land* and *Avonlea: Memento Mori.* In addition, it received programming awards for two children's shows, *The Whipping Boy* and *The Incredible Voyage of Bill Pinkney.*

Consumer Products opened the Disney Animation Festival in Buenos Aires, Argentina, in a 500,000-square-foot exhibition space in the heart of the city. The 90-day festival, designed to reintroduce Disney and its characters to the southern region of South America, attracted nearly 600,000 attendees.

FamilyFun magazine received the Acres of Diamonds award from Temple University. It was cited as the best magazine launched in the past five years.

Opposite, clockwise from top right: Ellen DeGeneres cuts a ribbon as pals Joely Fisher, left, and Clea Lewis look on in scene from her ABC series, *Ellen*; Tim Allen and Tom Hanks provided the voices of Buzz Lightyear and Woody, animated stars of *Toy Story*, which set box office records in its Thanksgiving weekend release; Disney's All-Star Music Resort opened at Walt Disney World, Florida, in late 1994; Steve Martin, Diane Keaton and Kimberly Williams brightened the holiday season as they returned in *Father of the Bride Part II*; composer Randy Newman at work on one of the three stirring songs he created for *Toy Story*; *Disney's Baby and Child Care* was a popular boxed set released in 1995 by Hyperion Publishing; children become part of the story in the *Pocahontas Animated StoryBook* featuring multiple screens, games and clickables.

In New York, Sotheby's auction of "The Art of the Lion King" reached sales of almost $2 million, by far the highest-grossing event of its kind ever held.

Tokyo Disneyland held its first wintertime special event, Alice's Wonderland Party. Walt Disney World's popular Mickey Mania parade opened there with the addition of specially themed merchandise and food.

Overseas, The Disney Channel-Taiwan was launched in March. It was the first Disney Channel to be established outside the U.S. As part of the Taiwan launch, Walt Disney Television International opened its first uplink center in Singapore.

Former U.S. Senate majority leader George Mitchell of Maine joined the Disney board of directors. He succeeded Samuel L. Williams, who passed away in July 1994.

THIRD FISCAL QUARTER 1995

April-June 1995

Disney, Ameritech, SBC Communications and BellSouth Corp. announced an agreement to form a joint venture to deliver interactive services and video programming over telephone lines. The venture, later joined by GTE and named Americast, calls for the companies to invest a total of $500 million over five years to create and distribute entertainment and interactive programming.

At Walt Disney World, Blizzard Beach—a water park themed as a ski resort complete with snow-capped mountains, glaciers and ski lifts—opened in Florida.

In April, Stephen F. Bollenbach was named senior executive vice president and chief financial officer of The Walt Disney Company. He joined Disney from Host Marriott Corporation, where he was president and chief executive officer.

Later in the month, Bollenbach and Sanford M. Litvack, senior executive vice president and chief of corporate operations, were elected to the company's board of directors.

Super RTL, a German-language family channel, was launched. The channel is distributed to cable and satellite-dish homes throughout Germany. Disney expects Super RTL to become The Disney Channel-Germany in the future.

The Los Angeles production of *Beauty and the Beast* opened at the Shubert Theater and became an immediate hit.

While You Were Sleeping reached theaters and went to the top of the charts. The film not only surpassed $80 million at the box office, it also confirmed Sandra Bullock's emergence as a major star.

The company placed orders for two luxury cruise ships. The 85,000-ton liners, which can accommodate up to 2,400 passengers each, are scheduled to sail from Port Canaveral, Fla., in 1998.

Crimson Tide was the first big summer-season film out of the gate. Released in May, the nuclear-powered thriller starring Denzel Washington and Gene Hackman eventually took in more than $90 million at the domestic box office.

Disney hosted the winners of the first Jiminy Cricket's *Environmentality* Challenge—the result of a unique partnership between Disney and the State of California's Environmental Education Interagency Network. The company's ongoing environmental program led to the introduction of two new creative partnerships involving Disney, other companies and governmental agencies. The first is WOW (Wonderful Outdoor World), an overnight camping program targeted toward inner-city youth and their families; the second, called the Wipe Out Wagon, is a new graffiti abatement program within the city of Los Angeles.

The Disney Store's largest free-standing outlet in North America opened on San Francisco's Union Square in May, just weeks after a "superstore" was unveiled at Caesars Palace in Las Vegas. Both were designed by Walt Disney Imagineering—the San Francisco store in the style of an animation studio, the Las Vegas outlet with a whimsical touch of classic Roman architecture.

Sales at each location far exceeded expectations, reaching levels four times those of an average Disney Store. The two were among 105 Disney Stores opened around the world in fiscal 1995.

Space Mountain—From the Earth to the Moon made its debut at Disneyland Paris. It boasts several world "firsts," including catapulted propulsion from a cannon at a 32-degree angle, three complete loops, an on-board sound system and dramatic special effects. The first new major attraction introduced there since the park opened, it provided an immediate boost in attendance.

Clockwise from upper left: Anthony Hopkins and Joan Allen play the late President and his wife in *Nixon*, which opened in December; the ever popular Winnie the Pooh was star of an intensive licensing program during the year; actress Faye Dunaway discusses an upcoming scene with director Harvey Frost on the set of the long-running *Avonlea* series shown on The Disney Channel; a sparkling new wedding pavilion opened in June near the Grand Floridian Beach Resort at Walt Disney World; on alert in a recent game is Mighty Ducks goaltender Guy Hebert.

MORE THAN 100,000 JAMMED NEW YORK'S CENTRAL PARK FOR THE PREMIERE OF DISNEY'S ANIMATED FEATURE, *POCAHONTAS*, IN JUNE. IT WAS THE LARGEST MOTION PICTURE PREMIERE ON RECORD AND IT LAUNCHED A SUCCESSFUL RUN AT BOX OFFICES AROUND THE NATION WHERE THE PICTURE GROSSED MORE THAN $140 MILLION.

Walt Disney Imagineers created the New Tomorrowland at the Magic Kingdom (upper left), and the Disney-MGM Studios' Tower of Terror thrill ride (upper right). Both contributed to healthy attendance gains at the Florida resort in 1995. Bottom left are Alan Menken (seated) and lyricist Stephen Schwartz, who collaborated on music for *Pocahontas*. Actress, producer, TV star Oprah Winfrey (bottom center) has entered into an exclusive long-term agreement to produce and star in movies for Disney. Young inner city children and their parents (bottom right) learn the fun of camping through WOW (Wonderful Outdoor World), a program sponsored by Disney and other companies.

At Walt Disney World, the ExtraTERRORestrial Alien Encounter opened in June at the Magic Kingdom.

Also making its debut near Disney's Grand Floridian Beach Resort was Disney's Wedding Pavilion. David Cobb and Susanne Mackie of Cookeville, Tenn., were the first couple to exchange vows at the new chapel.

Ground was broken for Disney's Animal Kingdom on a 500-acre site at Walt Disney World. The concept for the park originated from surveys asking guests what they most wanted to see in a new Disney theme park. It is scheduled to open in 1998.

Rhythm of the Pride Lands, a musical sequel to *The Lion King* featuring music inspired by the film, sold more than a million copies. By the end of the fiscal year, sales of *The Lion King* soundtrack itself had topped 10 million, and it had become one of the five top-selling soundtrack albums of all time.

Disney agreed to acquire a 25 percent interest in the California Angels American League baseball team with an option to purchase the remainder at a later time. If approved by Major League Baseball, this would be Disney's second venture into major league sports in the area; the company already owns the National Hockey League's Mighty Ducks of Anaheim.

As mentioned earlier, a party atmosphere prevailed at the *Pocahontas* premiere on the Great Lawn at Central Park June 10. The film was shown on four 80-foot screens. In addition to the audience of 100,000, the event attracted media attention from coast to coast.

The Walt Disney Classics Collection received top industry honors from the National Association of Limited Edition Dealers. Disney won the "Collectible of the Year" award for the entire line and "Figurine of the Year" for a finely crafted depiction of Snow White.

KCAL-TV took home the most trophies in the Los Angeles-area Emmy Awards. Its 10 awards included citations for best news special, best sports reporting, best news writing, best sports series and sports special.

Disney-owned *Discover* magazine won a prestigious National Magazine Award. The American Society of Magazine Editors cited the publication's Science of Race issue.

Students from Redway (Calif.) Elementary School, winners of the first Jiminy Cricket's *Environmentality* Challenge open to all fifth-grade classes in the state, rode their own special float in a parade at Disneyland honoring their triumph. Two-thirds of the 58 California counties participated in the contest. The students completed projects that raised environmental awareness among their schoolmates, families and local communities.

FOURTH FISCAL QUARTER 1995

July-September 1995

The big event of the quarter and the year took place on July 31 when Disney Chairman Michael D. Eisner and Capital Cities/ABC Chairman Thomas S. Murphy announced the proposed acquisition of Cap Cities/ABC by Disney. (See pages 8 through 11.)

Disneyland celebrated its 40th birthday by burying a time capsule containing more than 60 items—representing the resort as it exists in 1995—in the Sleeping Beauty Castle forecourt. The "time castle" will be unearthed by cast members in the year 2035, Disneyland's 80th birthday.

Walt Disney Theatrical Productions was particularly busy during the quarter, opening new productions of *Beauty and the Beast* in Melbourne (July), Toronto (August) and Vienna (September).

Disney reached agreement with New York State to renovate the New Amsterdam Theater, historic home of the Ziegfeld Follies on 42nd Street near Eighth Avenue.

The Amateur Athletic Union completed plans to transfer its headquarters from Indianapolis to Walt Disney World property near Orlando. The move is expected early in 1996. A primary reason for the move is construction of a 160-acre sports center complex at Walt Disney World. The complex, with enough diamonds, courts and fields for more than 25 different sports, will be ready for play in May 1997.

And Disney collectors—some 1,700 in all from across the globe—flocked to the Contemporary Resort at Walt Disney World in September for the 1995 Disneyana Convention.

Tokyo guests said *sayonara* to the immensely popular Disneyland Electrical Parade, which concluded a 10-year run. A new nighttime entertainment spectacular, Disney's FANTILLUSION! parade, took its place.

KCAL-TV was designated the nation's number one news station for 1995 by the Radio

Television News Directors Association. The station received the prestigious Edward R. Murrow Awards for Best Newscast and Best Spot News.

At midsummer, *Walt Disney's World on Ice* was touring eight productions on six continents on the way to an estimated annual attendance of 10 million. Its itinerary included the People's Republic of China, where the *Beauty and the Beast* ice show made its first appearance.

Also in China, more than 95 Mickey's Corner boutiques, created by licensee Vigor International, dramatically increased Disney's presence in retail.

Disney's general-interest publisher, Hyperion, entered the paperback market with softcover versions of James Lee Burke's *Dixie City Jam* and Tim Allen's *Don't Stand Too Close to a Naked Man.* The latter topped *The New York Times* bestseller list after just one week in the bookstores.

Late in the year, *The Disney Catalog* was integrated into The Disney Store operation. Plans call for expansion of the catalog, which features hundreds of specially selected items in each issue.

The big news at Hollywood Pictures was *Dangerous Minds,* which opened strong in August and went on to surpass $80 million in domestic movie houses. The film, starring Michelle Pfeiffer, is an inspiring tale about an ex-Marine turned inner-city schoolteacher.

The new city of Celebration, on Walt Disney World property south of the theme parks, opened a preview center, giving the public its first glimpse of the new community. Celebration eventually will be home to 20,000 people.

On August 14, in a move that electrified the Hollywood film and television community, Disney Chairman Michael D. Eisner announced that Michael Ovitz had accepted the position of president of the company effective October 1. Ovitz was founder and chairman of the highly successful Creative Artists Agency.

Buena Vista Television got off to a strong start in the fall, launching nine new shows and distributing more hours of syndicated programming than any other studio in the 1995-96 season. (See Television Syndication, page 32.)

September brought three new Disney network television shows to the air. *Brotherly Love,* on NBC, stars *Blossom's* Joey Lawrence along with his two real-life younger brothers. *Maybe This Time,* on ABC, marks the return of *Golden Girl* Betty White and also stars Marie Osmond and Ashley Johnson. *Nowhere Man,* an action-adventure series, follows a man robbed of his identity as he seeks to find out who he is. The series debuted on new network UPN.

Late in the fiscal year, *The Lion King* was released in international home video markets. In South America, it set a sales pace almost double that of *Snow White and the Seven Dwarfs,* which itself had broken records earlier in the year.

The Walt Disney Company together with the City of Anaheim dedicated a new community rink, Disney ICE, in downtown Anaheim. The rink offers skating and hockey programs targeted toward youth, is the headquarters for the non-profit youth program, Disney GOALS, and serves as the new training facility for The Mighty Ducks of Anaheim, Disney's National Hockey League entry.

FIRST FISCAL QUARTER 1996

October-December 1995

Walt Disney Theatrical Productions continued its rapid expansion. During the quarter, it opened new productions of *Beauty and the Beast* in Tokyo and Osaka in addition to forming a national road show, which opened in Minneapolis.

In October, Disney was recognized by the Public Relations Society of America for notable environmental contributions, receiving the 1995 Outstanding Corporate Citizen Award.

Disneyland introduced a new event in October. The "Cruisin' the Kingdom" cavalcade is a lighthearted, energetic character parade.

In late October, actress/producer/TV star Oprah Winfrey and her production company, Harpo Films, entered into an exclusive long-term agreement with the Walt Disney Motion Pictures

TIM ALLEN AND FRIENDS (OPPOSITE) LIVEN UP THE LOCAL HARDWARE STORE IN A SCENE FROM HIS AWARD-WINNING *HOME IMPROVEMENT* SERIES ON ABC. THE SHOW GENERATED THE SECOND-HIGHEST PER-EPISODE REVENUE EVER FOR AN OFF-NETWORK PROGRAM WHEN IT DEBUTED IN SYNDICATION IN THE FALL.


PAINT
SPRAYER
IDEAL
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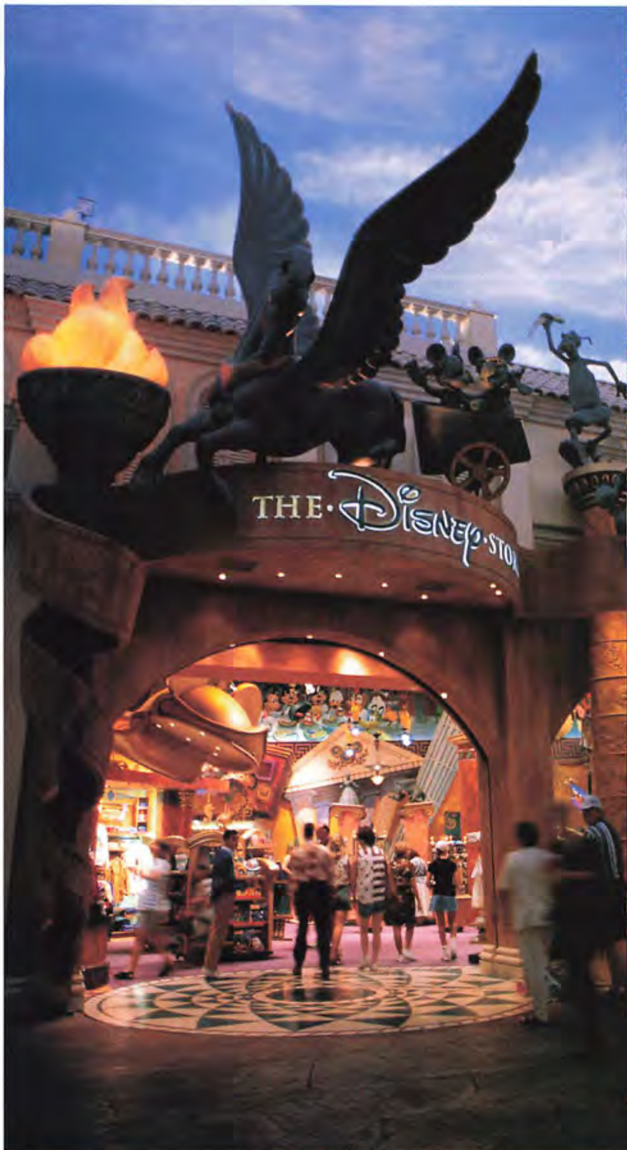
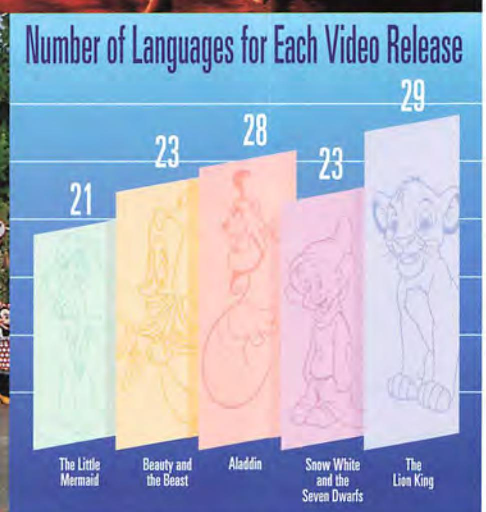




The Lion King, *Disney's best-selling home video of all time, is available in 29 languages, making it accessible to over 3 billion people.*

CLOCKWISE FROM LOWER LEFT: A TIME CAPSULE IS BURIED NEAR SLEEPING BEAUTY'S CASTLE AS PART OF DISNEYLAND'S 40TH ANNIVERSARY CELEBRATION; ONE OF THE LARGEST AND MOST UNUSUAL DISNEY STORES OPENED AT CAESARS PALACE IN LATE SPRING; STORE DISPLAYS FOR *THE LION KING* HOME VIDEO CAPTURED THE EYE AS WELL AS THE FANCY OF CONSUMERS IN THE SPRING; *LIVE WITH REGIS AND KATHIE LEE* CONTINUED TO PLEASE ITS AUDIENCE THROUGHOUT THE YEAR; AND MILLIONS FLOCKED TO SEE THE NEW PARADE, *FANTILLUSION!*, AT TOKYO DISNEYLAND.

Group. Under the agreement, Oprah will produce motion pictures on an exclusive basis for Walt Disney Pictures over a five-year period and will also star in some of these films.

In the United Kingdom, October saw the debut of The Disney Channel-U.K. One week later, announcement was made that The Disney Channel would also be carried in Australia starting in 1996.

Richard Ruffalo, athletic coach at Belleville Senior High School, Belleville, N. J., was named Outstanding Teacher of 1995 at The Disney Channel's live telecast of *The Walt Disney Company and McDonald's Present The American Teachers Awards* in Washington, D.C. Vice President Al Gore made the presentation after 36 teachers honored as outstanding in 12 subject categories elected Ruffalo from their ranks. During the star-studded telecast, movie and television celebrities presented awards to the 12 teachers named outstanding in their specific subject categories.

In addition to Ruffalo, who was named outstanding athletic coach, the honorees are: Early Childhood, Ellen O'Rourke Knudson, Victor Solheim Elementary School, Bismarck, ND; English, Christine Nicolette Gonzalez, Booker T. Washington High School for the Performing Arts, Dallas, TX; Foreign Language, Peggy Hagmann, North High School, Eau Claire, WI; General Elementary, Gwynn Taft Pearman, West Hills Elementary School, Knoxville, TN; Mathematics, Cindy J. Boyd, Abilene High School, Abilene, TX; Performing Arts, Alphonse Michael Marks, Hattiesburg High School, Hattiesburg, MS; Physical Education and Health, Jill Anderson, Norwalk Middle School, Norwalk, IA; Science, Stephen B. Rodecker, Chula Vista High School, Chula Vista, CA; Social Studies, Kazar Anthony Matoian, North Park Summit High School, San Diego, CA; Visual Arts, Virginia Karen Freyermuth, Duxbury Junior/Senior High School, Duxbury, MA; and Vocational/Technical Education, John Robert Holmes, John Marshall High School, Milwaukee, WI.

As Outstanding Teacher of 1995, Ruffalo will receive an honorarium of $25,000, his school will receive $25,000, and the school district will receive $10,000.

The Frank G. Wells Award, named in honor of the late Walt Disney Company president, was presented to Maya Angelou, renowned poet.

The landmark film *Toy Story* (Walt Disney Pictures) was released in November and became an instant hit, grossing more than $39 million over the 5-day Thanksgiving holiday weekend. Directed by Academy Award winner John Lasseter, it is the first animated feature-length movie created entirely by computer. It is also the first offering in a three-picture deal between Disney and the pioneering animation studio Pixar.

Disney Interactive's *Toy Story* game, which brings the film's 3-D effects to life, was released the same day the movie reached the theaters—the first time ever a game has been timed to a premiere.

The Walt Disney Company and Oriental Land Company Ltd., owner of Tokyo Disneyland, confirmed at a Tokyo press conference that the two companies are working to develop a second theme park adjacent to Tokyo Disneyland and the Maihama station area near Tokyo Bay. The park, tentatively named Tokyo DisneySea, will open in the latter half of 2000 or the first half of 2001 if the basic concept celebrating discovery, romance, adventure and the fun of the sea is approved by spring 1996.

Disney Cruise Lines announced that the first of two planned ships, scheduled to enter service from Port Canaveral, Fla., in January 1998, will be named *Disney Magic*. The sister ship, *Disney Wonder*, will enter service in November 1998. Each will carry up to 2,400 guests on vacation cruises combined with stays at Walt Disney World.

In November, The Disney Store reached its 11th country with the opening of an outlet in Melbourne, Australia. It is the first of more than two dozen stores planned for that continent.

Father of the Bride Part II (Touchstone Pictures) was the studio's featured year-end release. It reunited the original cast of the 1991 hit—Steve Martin, Diane Keaton, Martin Short and Kimberly Williams.

Mr. Holland's Opus (Hollywood Pictures), starring Richard Dreyfuss, was slated to open late in the year in a limited engagement.

Walt Disney's World on Ice introduced a new show late in 1995. It features music and characters from *101 Dalmatians, The Jungle Book, The Little Mermaid, A Goofy Movie* and *Fantasia*.

In December, Disney purchased the 502-room Pan Pacific Hotel, adjacent to the Disneyland Hotel and across the street from the park. Together, the two hotels comprise 1,638 rooms.

Coming Attractions

MOTION PICTURES □ DISNEY'S MOTION PICTURE UNITS OFFER AN AMBITIOUS 1996 SLATE THAT HAS SOMETHING FOR EVERYONE—COMEDY, DRAMA, ROMANCE, BIG-NAME STARS. THE CENTERPIECE CLEARLY IS *THE HUNCHBACK OF NOTRE DAME,* THE COMPANY'S 34TH FULL-LENGTH ANIMATED FEATURE FILM, DUE OUT IN THE SUMMER.

DISNEY'S RETELLING OF VICTOR HUGO'S CLASSIC NOVEL EMPLOYS THE VOICES OF TOM HULCE, DEMI MOORE, KEVIN KLINE AND *SEINFELD'S* JASON ALEXANDER. THE FILM IS PRODUCED BY DON HAHN *(THE LION KING)* AND DIRECTED BY KIRK WISE AND GARY TROUSDALE (DIRECTORS OF *BEAUTY AND THE BEAST).* THE FILM FEATURES MUSIC AND LYRICS FROM THE AWARD-WINNING TEAM OF ALAN MENKEN AND STEPHEN SCHWARTZ.

Ellen DeGeneres makes her big-screen debut in *Mr. Wrong* (Touchstone), scheduled for spring release. Bill Pullman, of *While You Were Sleeping,* is her obsessive suitor.

Up Close and Personal (Touchstone) stars Michelle Pfeiffer in a bittersweet love story about a TV news reporter who falls for her mentor, a journalist (Robert Redford) who has lost his passion for his work.

In *Homeward Bound II* (Disney), those three stalwart pets are back in the follow-up to the highly successful 1993 release. It features the voices of Sandra Bullock, Michael J. Fox, Sally Field and the late Hume Cronyn. *Last Dance* (Hollywood) presents Sharon Stone as a death-row inmate who becomes romantically involved with her lawyer.

In addition to the premiere of *The Hunchback of Notre Dame,* Disney's summer schedule offers Mel Gibson, Whoopi Goldberg, Sean Connery, Nicholas Cage and John Travolta in starring roles.

In *Ransom* (Touchstone), Gibson stars as a maverick New York tycoon whose son is kidnapped. Ron Howard directs.

Goldberg is a die-hard basketball fan in *Eddie* (Hollywood). She wins a promotional contest and winds up becoming head coach of the New York Knicks. Connery and Cage team up in *The Rock* (Hollywood), a tale of terrorism set on Alcatraz Island.

Phenomenon (Touchstone) finds Travolta suddenly possessed of extraordinary powers of intelligence that quickly turn from gift to curse. Leslie Nielsen stars in the spoof *Spy Hard* (Hollywood), and Bill Murray pulls double duty, playing a famous Hollywood actor and his impersonator in *Dead Tired* (Touchstone).

For the fall and year-end holiday season, Robin Williams portrays *Jack* (Hollywood), a 10-year-old boy who must cope with appearing like a 40-year-old man.

Denzel Washington and Whitney Houston pair up in *The Preacher's Wife* (Touchstone), with Washington as the charming angel sent to help a disillusioned minister regain his faith. *Muppet Treasure Island* (Disney) puts a twist on the classic Robert Louis Stevenson tale of swashbuckling pirates and hidden riches.

A highlight of the holiday season will be *101 Dalmatians* (Disney), a live-action retelling of the Disney animated classic. Glenn Close portrays the vicious Cruella De Vil in a film produced by John Hughes (*Home Alone*) and directed by Steve Herek (*Mighty Ducks*).

BUENA VISTA INTERNATIONAL □ Just two years after debuting as Disney's international film distribution arm, BVI has emerged as the top overseas theatrical film distribution company. Led by *The Lion King,* BVI amassed $963 million in box office receipts in 1994. *The Lion King* went on to shatter records around the world, becoming the most successful film of all time in 19 countries and the second most successful international release ever, with more than $450 million at the box office.

Other successes included the re-release of *101 Dalmatians* and the release of *While You Were Sleeping,* which posted more than $70 million in grosses, and *Crimson Tide,* which did $40 million in the first four weeks following its October release. In the fall, *Pocahontas* began its international run and is expected to be one of BVI's top performers for the year.

In addition to distributing Disney product, BVI has begun distribution of films from other studios. This year's biggest acquisition success was *Die Hard With a Vengeance,* which is anticipated to gross more than $125 million by the end of 1995 in the territories for which BVI has distribution licenses.

MIRAMAX □ Although *Pulp Fiction* won the *Palme d'Or* at the Cannes Film Festival, it was not the studio's only success in 1995. Other box-office winners included *Muriel's Wedding, Bullets Over Broadway, The Englishman Who Went Up a Hill and Came Down a Mountain* as well as two films from the Dimension label, *The Prophecy* and *Highlander III.*

Miramax's slate for 1996 is equally interesting.

- *Four Rooms,* an anthology film from four award-winning directors, stars Tim Roth, Madonna and Antonio Banderas.
- *Things To Do in Denver When You're Dead* brings Andy Garcia to the screen as a reformed mobster who reunites his gang for one final score.
- *From Dusk Till Dawn,* a surreal tale of bank thieves and vampires in Mexico, stars George Clooney.

DOMESTIC HOME VIDEO □ Buena Vista Home Video continues to be the leader in the North American home video market. In addition to the phenomenal sales of *The Lion King,* it produced solid successes with *Angels in the Outfield,* the live-action version of *The Jungle Book* and *Pocahontas Sing-Along Songs. Cinderella* shipped 15 million units in advance of the holiday season.

The new year promises more success, with *Pocahontas* expected to become one of the top-selling videos of all time.

Disney continues to be a pioneer in direct-to-video movies. Building on the success of 1994's *The Return of Jafar,* it will release a second *Aladdin* sequel, *Aladdin and the King of Thieves,* in 1996. Robin Williams returns as the voice of the irrepressible genie.

QUASIMODO (OPPOSITE) IS THE CAPTIVATING STAR OF *THE HUNCHBACK OF NOTRE DAME*, DISNEY'S ANIMATED FEATURE TO BE RELEASED IN THE SUMMER OF 1996.

In addition, Disney will offer its first live-action made-for-video movie, *Honey, We Shrunk Ourselves!,* with Rick Moranis reprising his role from the successful *Honey* movie series.

INTERNATIONAL HOME ENTERTAINMENT □ Buena Vista Home Entertainment International remains the foremost overseas supplier of home entertainment software.

It posted its best-ever numbers in 1995, led by record-setting sales of *Snow White and the Seven Dwarfs* and *Aladdin* along with such other key titles as *The Aristocats, Pinocchio* and *The Return of Jafar.* Later *The Lion King* doubled *Snow White's* sales in Latin America and was expected to break all previous sales records in Asia and a number of European markets.

Expansion continues in earnest. Operations were begun in Poland and Switzerland in 1995. The new year will bring the company close to its goal of creating a presence in the enormous consumer markets of India and China.

NETWORK TELEVISION □ *Home Improvement* remains one of the most-watched TV shows in the nation. *Ellen,* moved to a new time slot on ABC, and *Boy Meets World,* also on ABC, continue to perform well.

In addition, *The Disney Family Movie Series* continues on ABC, featuring remakes of such favorites as *The Love Bug* and *The Barefoot Executive.*

With these established programs and a slate of promising newcomers in the fall season, Disney has established itself as a major force in network television, with seven shows in prime time near the end of calendar 1995.

TELEVISION SYNDICATION □ The 1995-96 season marked the long-awaited debut of *Home Improvement* in syndication, and after generating the second-highest per-episode revenues ever for an off-network program, it quickly proved its worth by topping all new competition in the season's early weeks.

Blossom and *Dinosaurs* also began their syndicated runs this season, joining *The Golden Girls* and *Empty Nest* in off-network television. Returning to Buena Vista Television's syndicated line-up are *Siskel & Ebert, Live With Regis and Kathie Lee* and *Disney Presents Bill Nye the Science Guy.*

Newcomers this season are *Land's End,* a weekly action hour starring Fred Dryer, and a children's show, *Sing Me a Story With Belle.*

The Disney Afternoon is coming off another strong season, with *Aladdin* rated as the number one children's syndicated weekday show and *Gargoyles* premiering as the number one children's weekly syndicated series. During the current season, *Gargoyles* will be expanded to run Monday to Thursday with all new episodes, and on Fridays, Disney features a new weekly series, *The Lion King's Timon & Pumbaa,* starring the famous meerkat and warthog from 1994's biggest movie.

Above left, Dennis F. Hightower, president, Walt Disney Television and Telecommunications, and right, Joseph E. Roth, chairman of Walt Disney Motion Pictures. Opposite, Richard A. Nunis, right, and Judson C. Green, chairman and president, respectively, Walt Disney Attractions; cars destined for Tokyo Disneyland's Toontown when it opens this spring are tested at Walt Disney Imagineering.


TOONTOWN
LENNY

WALT DISNEY TELEVISION INTERNATIONAL

□ The international television licensing arm of the company is now a full-fledged producer and broadcaster as well.

Walt Disney Television International is responsible for all Disney worldwide television operations, including sales, licensing and production. It also oversees the international Disney Channels and evaluates new international broadcasting investment opportunities.

In 1995, Disney TV shows were seen in more than 100 countries. By the end of 1996, several international Disney Channels could be on the air as the Channel franchise may be expanded to South America and Asia.

THE DISNEY CHANNEL □ Explosive growth since 1993 has made The Disney Channel America's second-largest pay-television network. With its unique blend of family entertainment, original movies and special concerts by today's top performing artists, it has become one of the most admired premium services on cable.

In 1996, the channel will offer premier films, monthly music specials, nature shows and the fifth annual appearance of Disney's Young Musicians Symphony Orchestra at the Hollywood Bowl.

Nightjohn, starring Beau Bridges, is the story of a slave in the 1840's South who pays an enormous price for teaching fellow slaves to read. *Little Riders,* featuring Paul Scofield, tells of a soldier's courage to stand up for what he believes in World War II Holland.

Music specials will be headed by Bruce Springsteen, Al Jarreau and Lyle Lovett. Three new nature series focus on amazing characteristics of animals and the history, wildlife and preservation of our national parks.

THEATRICAL PRODUCTIONS □ *Beauty and the Beast,* a smash on the Broadway stage from its debut in 1994, has led to the creation of a new division, Walt Disney Theatrical Productions.

The show has broken single-day box-office records in New York and Los Angeles, and is currently playing in five foreign venues as well as in Minneapolis, where a national touring company has been formed.

The division continues to develop new ideas for its next musical, which will be launched in the spring of 1997 at the New Amsterdam Theater on 42nd Street, New York.

Disney Theatrical Productions plans to stage one new Broadway show each year after 1997. It has a variety of projects under consideration, including a new version of *Aida* with music and lyrics by Elton John and Tim Rice; *King David,* with music by Alan Menken and lyrics by Tim Rice; Elton and Tim's *Lion King;* and *Pocahontas,* with music by Alan Menken and lyrics by Stephen Schwartz.

DISNEY INTERACTIVE □ After it opened for business a year ago, Disney Interactive scored immediate hits with *The Lion King Animated StoryBook* and *Aladdin's Activity Center* on CD-ROM.

Later it found great success with its *Lion King* video game, developed with Virgin Interactive Entertainment. Its newest titles feature myriad Disney characters, from Pocahontas to Winnie the Pooh.

Disney Interactive is expanding quickly into international markets, with products—distributed by Disney's International Home Entertainment—already available in 18 countries. It has also started a new undertaking, Disney Online, to develop online services for consumers and to further the company's worldwide presence on the Internet.

DISNEY TELEVENTURES □ Created in 1995, Disney TeleVentures provides the creative, programming, marketing and technology services in support of Americast, Disney's joint venture with four regional telecommunications companies. Americast's objective: to provide leading-edge TV programming and services.

Disney TeleVentures is designing a navigator that will enable the viewer at home to interact with TV programming in a way never before possible. In addition, it will provide Americast with programming and marketing expertise as well as shows from the Disney library.

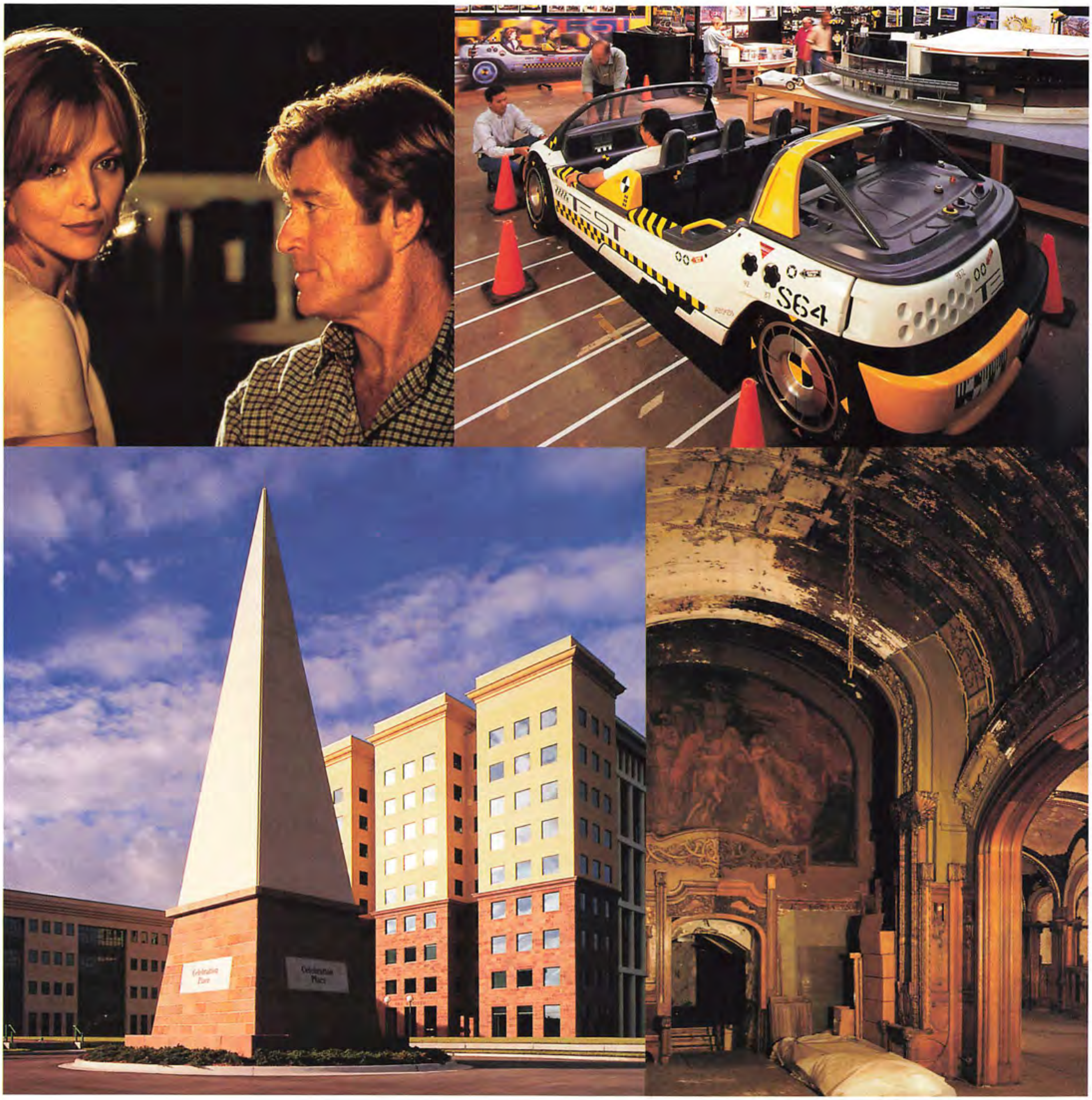
KCAL-TV □ KCAL's commitment to being *the* source for news and sports for the Los Angeles television market picked up momentum going into the new year.

KCAL has built one of the most respected news-gathering organizations in the industry. During the past year the station was honored with two Edward R. Murrow Awards—the Radio and Television Directors' most prestigious national news awards—for Best Newscast and Best Spot News in the U.S. for 1995. In addition, the station won the Best 60-Minute Newscast in the Associated Press' Golden Mike competition for the third straight year.

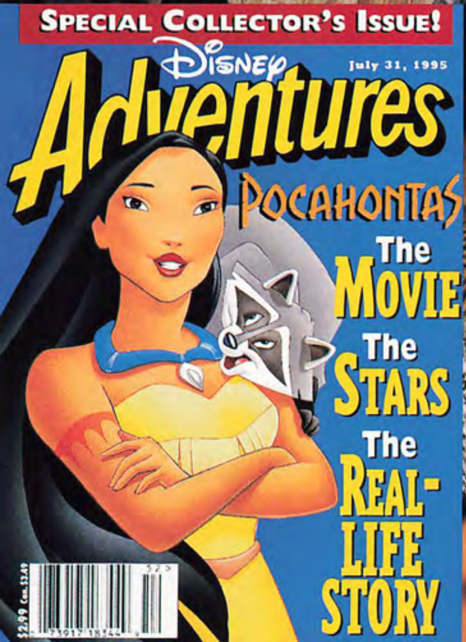
KCAL also strengthened its position as a sports broadcaster, acquiring exclusive broadcasting rights to the California Angels American League baseball team in a multi-year agreement beginning with the upcoming 1996 season.

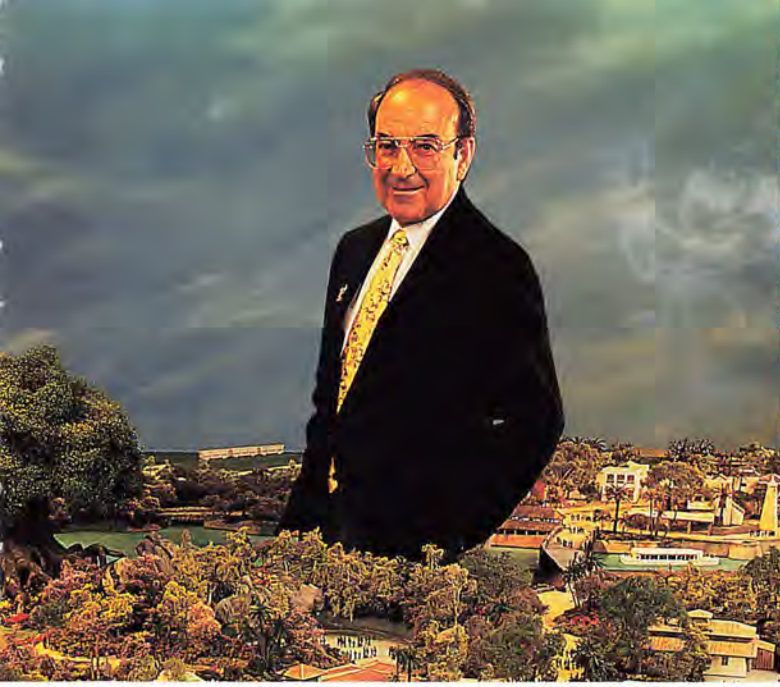
KCAL has already established itself as a leader in live sports broadcasting, bringing viewers Los Angeles Lakers basketball, Mighty Ducks hockey and Raiders and PAC 10 football along with live boxing.

Opposite, a cast member at the Research and Development Department, Walt Disney Imagineering, tests a Head-Mounted Display Unit which may serve as a virtual reality simulator in an Aladdin Magic Carpet Virtual Reality attraction under development.



Counter-clockwise from upper left: *Up Close and Personal*, due in 1996 from Touchstone Pictures, stars Michelle Pfeiffer and Robert Redford; first structures in the all new town of Celebration near Walt Disney World, Florida, are an office building and pyramid-shaped icon designed by the renowned Italian architect Aldo Rossi; renovation is under way on New York's fabled New Amsterdam Theater, which will be home to Disney Theatrical Productions when work is completed; work continues on a test car model for the General Motors Pavilion scheduled to re-open in 1997 at Walt Disney World's Epcot. Opposite, a story conference in Disney's new feature animation building, which opened last year at the Disney Studios lot in Burbank.


SPECIAL COLLECTOR'S ISSUE!
Disney
July 31, 1995
Adventures
POCAHONTAS
The MOVIE
The STARS
The REAL-LIFE STORY



WALT DISNEY ATTRACTIONS

Disney's theme parks and resorts, riding the momentum of a strong tourist rebound in 1995, set new records for attendance and operating income. The division is moving into the new year on a wave of new marketing approaches appealing to segments of the marketplace beyond Disney's core family business.

WALT DISNEY WORLD ☐ Walt Disney World's Indy 200 provides a roaring start January 27 when it inaugurates a new racetrack, The Walt Disney World Speedway, near the Magic Kingdom. The event will be the first-ever race of the new Indy Racing League.

Disney Development Company will open the Disney Institute in February near the Disney Village Marketplace at Walt Disney World. It offers an entirely new kind of vacation experience in which guests choose from more than 80 participative programs in an informal environment.

By summer, the Rainforest Cafe in the Disney Village Marketplace will be open for business. It will feature cascading waterfalls, tropical rain showers, thunder, lightning and live tropical birds.

Disney's BoardWalk, a turn-of-the-century seaside hotel and vacation club resort with extensive entertainment, shopping and dining facilities, opens in July.

Two new Disney specialty restaurants, one a casual family restaurant called Spoodle's, the second a seafood restaurant, will be featured along with a dance club with a 12-piece house band; Big River Grille and Brewing Works, a pub where five special beers will be crafted while guests watch; Jellyrolls, a high-energy dueling piano nightclub; Seashore Sweets, an old-fashioned soda fountain; BoardWalk Bakery; and BoardWalk Sports Club, restaurant and bar.

In October, Walt Disney World begins its 25th anniversary celebration—"A Magical Time in a Magical Place." In addition to exclusive shows, parades and surprises, a special promotional package will tempt guests during the 15 months of festivities.

Continued enhancements to the Village Marketplace and Pleasure Island complex will almost double the size of those facilities by 1998. The AMC Movie Theater will grow from 10 to 24 screens totaling 6,000 seats.

Included in the expansion will be the House of Blues, developed by noted restaurateur Isaac Tigrett with part-owner Dan Aykroyd; the Wolfgang Puck Cafe, featuring the cuisine for which that master chef is famous; and Lario's, a Latin dine-and-dance restaurant created by Gloria Estefan and her husband Emilio.

DISNEYLAND ☐ Disneyland will wind down its traditional Main Street Electrical Light Parade after a 25-year run. A new nighttime event will open in 1997.

OPPOSITE, CLOCKWISE FROM UPPER RIGHT: PETER S. RUMMELL, PRESIDENT OF DISNEY DESIGN AND DEVELOPMENT; AN IMAGINEER TOUCHES UP A MODEL OF THE TREE OF LIFE, WHICH WILL BE 18 STORIES HIGH WHEN IT RISES AS CENTERPIECE FOR DISNEY'S ANIMAL KINGDOM, A NEW THEME PARK TO OPEN AT WALT DISNEY WORLD IN 1998; BRUCE GREENWOOD, LEFT, AND SEAN WHALEN IN A SCENE FROM *NOWHERE MAN*, A NEW SERIES PLAYING ON THE UPN NETWORK; CIRCULATION OF *DISNEY ADVENTURES* CONTINUED TO GROW DURING 1995; AND ELLEN DEGENERES AND BILL NYE STAR IN A NEW FILM BEING SHOT FOR THE UNIVERSE OF ENERGY PAVILION PRESENTED BY EXXON AT EPCOT. ABOVE, MARTIN A. SKLAR, CHAIRMAN OF WALT DISNEY IMAGINEERING, LEFT, AND BARTON K. BOYD, CHAIRMAN OF DISNEY CONSUMER PRODUCTS.

Also at the park, a live adaptation of the summer's much anticipated animated feature film, *The Hunchback of Notre Dame,* is scheduled to coincide with the release of the movie.

But the big news at Disneyland—still on the drawing boards—is Walt Disney Imagineering's complete reconfiguration of Tomorrowland. Though its opening is three years away, New Tomorrowland will include the best ideas from similar attractions in Florida and France.

DISNEYLAND PARIS ☐ Disneyland Paris, which made enormous strides in attendance and hotel occupancy in 1995, has big plans for the next several years.

Fairytale Festival, lasting through March, pays tribute to Europe's traditional tales. Guests enter a large house filled with enticing candy, refuse the temptation to eat a sugared apple offered by the wicked witch from *Snow White and the Seven Dwarfs,* and participate in the marriage of Sleeping Beauty and her handsome prince.

In the spring, the Far West Festival rides again, and in November the Fools' Carnival Parade opens to coincide with the European release of *The Hunchback of Notre Dame.* At Festival Disney, summer will set the stage for the debut of a Planet Hollywood restaurant, and by year's end an eight-screen theater complex will be open.

TOKYO DISNEYLAND ☐ In Japan, the new Toontown will greet guests in the spring. The Disney cartoon characters and the zany Roger Rabbit and his pals come to life in this unique land.

Development of a second theme park, Tokyo DisneySea, continues with Oriental Land Co., owner and operator of Tokyo Disneyland. Walt Disney Imagineering, working with Oriental Land, has developed a concept that integrates a 500-room hotel into the park.

Across the street, Oriental Land is proceeding with the master plan and design of the Maihama station area, with Disney as its design partner. Plans include a hotel, restaurants, shops and a theater complex. A transportation system linking this area to Tokyo Disneyland is also being discussed.

CONSUMER PRODUCTS

Consumer Products will focus much of its film licensing effort on *The Hunchback of Notre Dame* during the coming year.

Disney Publishing will launch its largest-ever effort in the U.S.—more than 60 new titles in unique and innovative formats that bring the animated musical to readers of every age.

Walt Disney Records will release the film's soaring soundtrack, in addition to the Read-Along album and other products featuring music and dialogue from Disney's 34th animated classic. And Disney Interactive's *Animated StoryBook* series and a major merchandising program from Disney Licensing will be part of the effort.

But support for the film, important though it is, is only one segment of what the Consumer Products organization expects to accomplish in 1996.

One of the division's biggest efforts will be the debut this spring of the flagship New York City location of The Disney Store on Fifth Avenue. A second store will be opened on 42nd Street later in the year.

Consumer Products will continue its emphasis on South America. Led by heavy licensee backing for the release of *Pocahontas* in 1995, it increased annual activity there by 40 percent over 1994 levels.

Disney Magazine Publishing will continue to pursue new opportunities in the children's, family and specialized markets. *FamilyFun* will become a monthly publication as its circulation continues to rise toward 850,000. The group also will expand its test marketing of *BigTime,* a children's magazine delivered through Sunday newspapers nationwide.

Hyperion Books will release TV comedy star Brett Butler's autobiography, as well as work by "redneck" comedian Jeff Foxworthy and bestselling author Lee Burke. Harry N. Abrams' *Building the Dream: The Art of Disney Architecture* will discuss a subject that has led both to high praise and neck-craning double-takes.

OPPOSITE, SEAMSTRESS AT DISNEYLAND COSTUME DEPARTMENT GETS GIANT CHARACTER FIGURE WOODY, STAR OF THE DISNEY ANIMATED FEATURE *TOY STORY*, READY TO GREET GUESTS AT THE CALIFORNIA PARK.


SHERIFF

A gourmet cooking class is only one of dozens of customized vacation choices for guests at the Disney Institute, which opens this February at Walt Disney World.

DISNEY DESIGN AND DEVELOPMENT

Unprecedented growth and innovative projects tell the story of Disney Design and Development Company (DDD). Through its subsidiaries, Disney Development Company and Walt Disney Imagineering, DDD performs a wide range of activities—from building oceanfront vacation resorts to restoring the historic New Amsterdam Theater on 42nd Street, New York, to inventing and constructing theme park attractions around the globe.

DISNEY DEVELOPMENT COMPANY □ In the wake of the opening of Disney's Vero Beach Resort in October, Disney's Hilton Head Island Resort will open in March. These are the first Disney Vacation Club developments away from the company's theme parks.

While DDC takes special care in preserving the natural environment in its many development projects, Disney's Vero Beach Resort posed unusual challenges. In order to save 25 full-grown oak trees on the Vero Beach site, DDC rented the largest tree remover in the country, transported it from Texas and moved the trees from the construction site to a holding area. There, a "tree doctor" diligently checked on the health of the trees for the next few weeks until they were moved back on the site and replanted. All survived.

DDC will be responsible for operation of The Disney Institute, a new genre of vacation experiences, which will open in February at Walt Disney World.

In Florida, the first homes in the new, master-planned city of Celebration are being readied for summer occupancy. Demand for housing in the new Disney city was so strong that more than 5,000 people turned out for a drawing held November 18, hoping to be among the first chosen as buyers. DDC is also overseeing construction of the highly innovative Celebration School.

DDC is assisting Disneyland Paris in developing and constructing additions to Festival Disney, the popular shopping and dining area adjacent to the park. It is also playing a key role in the planning and initial land sales for Val d'Europe, a mixed-use community outside the resort's gates.

Team Disney-Anaheim, the new Disneyland office building, continues to attract attention in the architecture, art and design communities, while an aggressive upgrade of the company's Burbank Studio lot continues. DDC recently completed construction of the Zorro Garage, adding 1,500 new parking spaces. A five-story studio production building is expected to be completed in the fall of 1997.

WALT DISNEY IMAGINEERING □ Walt Disney Imagineering (WDI) is deeply involved in changing the future—in New Tomorrowland. When the attraction opens at Disneyland in 1998, it will include a brand-new thrill ride, Rocket Sled. The Carousel Theater, centerpiece of the attraction, will become the West Coast home of Innoventions, already a favorite at Walt Disney World.

Disney's Animal Kingdom in Florida, also due to open in 1998, gives free rein to Imagineers' creative ideas. The result will be a theme park with live wild animals as well as mythical and long-vanished beasts. Thrill rides, exotic landscapes and carefully crafted stories will demonstrate the beauty and wonder of the animal kingdom—and the perils animals face in today's world.

Imagineers are redesigning Mickey's Starland at Walt Disney World, to be completed in time for the resort's 25th anniversary late this year. The Enchanted Tiki Room is also being reconfigured, complete with a whole new story line delivered by Iago, the wise-guy parrot from *Aladdin,* and Zazu, the fastidious hornbill from *The Lion King.*

At Epcot, Imagineering is overhauling the World of Motion, presented by General Motors, with a pulse-quickening new attraction modeled after an automobile test track. Ellen DeGeneres will head an all-star cast in a new show for Epcot's Universe of Energy, presented by Exxon.

WDI Research and Development is expanding its scope in 1996 to support all divisions of The Walt Disney Company, including projects involving data security, information processing, telecommunications and new business opportunities.

Two financial themes emerge from The Walt Disney Company's activities this year: outstanding operating performance and a strategic acquisition which will create significant new opportunities to enhance value for Disney shareholders.

FINANCIAL REVIEW

Stephen F. Bollenbach, senior executive vice president and chief financial officer

Overview

The Walt Disney Company experienced a record year in 1995, as measured by most conventional financial yardsticks. This success allowed the company to exceed its traditional financial objectives of 20% compound annual growth in earnings per share over five-year periods, and 20% annual return on average shareholders' equity. In 1995, the company's earnings per share increased to $2.60, 27% higher than 1994 earnings per share and at a 21% compound annual growth rate since 1991. Disney also surpassed its return on equity target in 1995, achieving 23% ROE.

This outstanding performance was the result of intelligent business, financial and creative decisions across the company, all made in an attempt to increase wealth for Disney shareholders, driven by the company's overriding strategic objectives: to sustain Disney as the world's premier entertainment company; to protect and build upon the Disney name and franchise; and to preserve and foster quality, imagination and guest service, the basic values at the core of the company's success.

The company anticipates that its acquisition of Capital Cities/ABC, Inc. will provide numerous opportunities for growth and the creation of new value for Disney shareholders over the long run. Since the goodwill asset recorded in the acquisition reflects the tremendous value of Cap Cities' intangible assets, such as its widely-recognized ABC, ESPN and other brand names, the company believes that the most meaningful measure of its value is earnings per share adjusted to exclude the write-off of that goodwill asset. The transaction is expected to be accretive to both total cash flow and earnings per share before the write-off of goodwill.

In the future, the company's ongoing financial objective continues to be defined as the achievement of 20% compound annual growth in earnings per share over any five-year period. The company believes its traditional secondary financial objective based on return on equity will no longer be a relevant target.

The realignment of Disney's capital structure resulting from the increased debt related to the Cap Cities transaction should enhance returns to shareholders. Disney shareholders benefit from the prudent addition of indebtedness to the company's balance sheet, as the cost of borrowing is attractive in current markets, is also tax - deductible and will reduce the company's overall cost of capital.

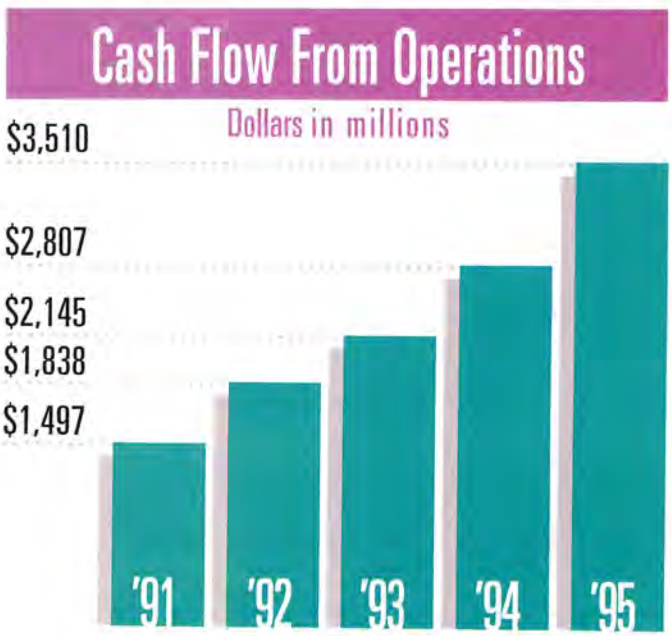
Disney strives to optimize its cost of capital through judicious use of debt and selective share repurchases. Despite the debt associated with the Cap Cities acquisition, the company still has the

financial flexibility to borrow prudently should sound opportunities to do so present themselves. The decision to increase the degree of leverage is done with careful monitoring of cash flow and the Company's debt-to-total capital ratio, and the long-term goal of maintaining a solid single A or better credit rating. Disney's current long-term debt ratings are AA-/A1, and its short-term ratings are A1+/P1, by Standard & Poor's/Moody's. As part of its overall risk management program, the company assesses and manages its exposure to changes in interest rates on an ongoing basis.

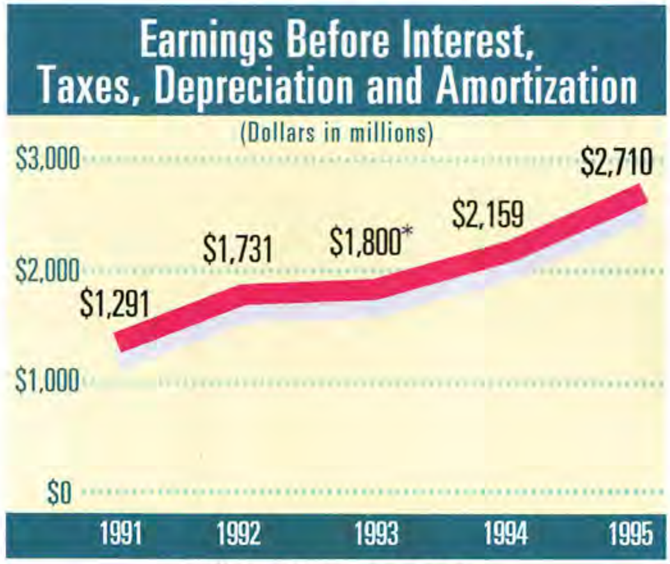
Cash Flow

The company generates substantial cash flow to fund investment in new and existing businesses, as well as share repurchases, as appropriate. Going forward, the company's cash flow will also be available for the repayment of indebtedness incurred in the acquisition of Cap Cities.

Disney's cash flow generating capabilities reached new highs in 1995. Cash flow from operations reached $3.5 billion this year, a 25% increase from the prior year. Over the past five years, the company has generated total cash flow from operations of $11.8 billion, representing growth at a compound annual rate of 24%.



Yet another measure of cash flow, earnings before interest, taxes, depreciation and amortization, also reached higher levels in 1995. EBITDA — which does not reflect an add-back for the amortization of film and television costs, a convention in the entertainment industry — was $2.7 billion, an impressive 26% increase over the prior year, and has grown at a 20% compound annual rate since 1991.



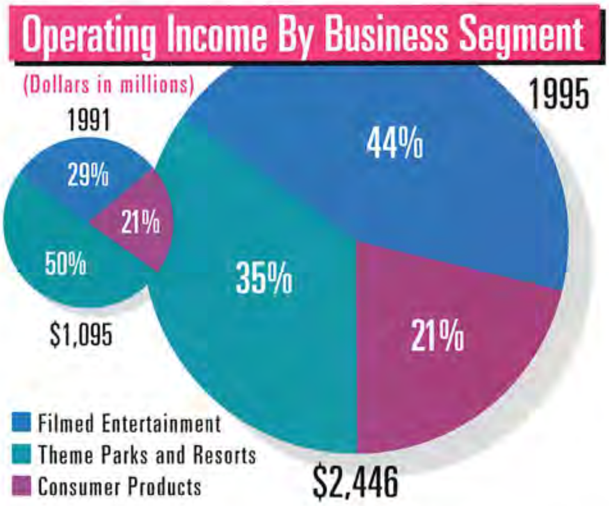
*before $350 million reserve associated with Euro Disney

In 1995, approximately $80 million, or just 2% of total cash flow from operations, was used to maintain existing assets. The remaining $817 million of 1995 capital spending was used to fuel the company's growth by expanding Disney's businesses, such as new theme park attractions, The Disney Channel expansion overseas and more Disney Stores, and through investment in new initiatives, including Disney's Animal Kingdom and Cruise Lines. Disney invested approximately $350 million in its own stock in 1995, repurchasing almost 9 million shares at an average price of just under $40 per share, thereby creating additional value for shareholders.

Balance

Compared to five years ago, Disney's operating income in 1995 was derived more evenly from its three business segments, with approximately 44% from its largest segment, Filmed Entertainment, followed by 35% from the Theme Parks and Resorts operations and 21% from the Consumer Products division. This

more balanced operating income mix lessens the exposure of the company as a whole to volatility in any single segment, and thus assists the company in the pursuit of its earnings growth objective.



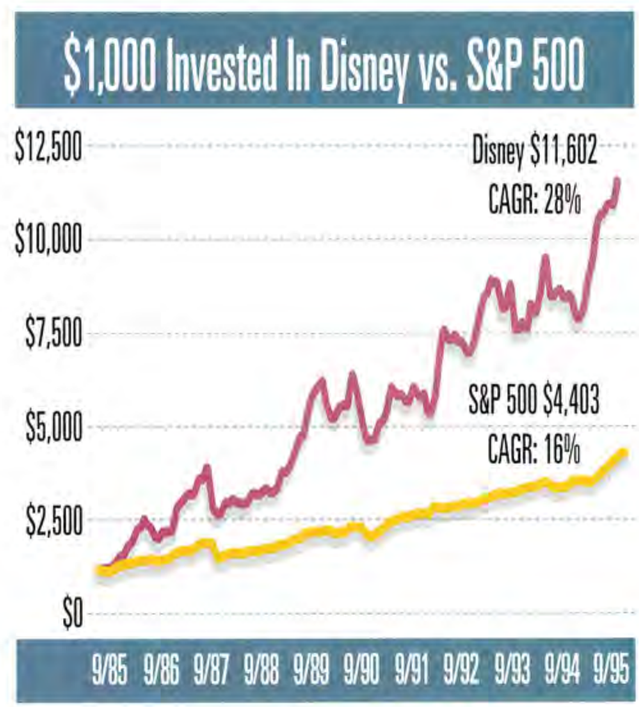
At the same time, the company's revenues now come from more countries around the world. In 1995, international revenues reached $2.8 billion, or 23% of total company revenues. This suggests that the future holds ample opportunity for continued expansion around the world for Disney products and services and that the company is less dependent on any single country's or region's economic health for its overall financial success. And, as in the past, the company will monitor and manage its economic exposure to foreign currency fluctuations as part of its overall financial risk management program.

Clearly the acquisition of Cap Cities provides the company with even greater future business and geographic diversification.

Dividends and Total Return to Investors

In January 1995, Disney's Board of Directors voted to increase the company's quarterly dividend by 20% — as it has each year since 1988 — from 7.5¢ to 9.0¢ per share. Over the past five years, Disney's annual dividend has grown 20% on a compound annual basis, a rate eight times faster than that of the Standard & Poor's 500 during the same period.

As a result of Disney's strong financial performance and earnings growth, driven by expansion and investment in new businesses and share repurchases over the past decade, long-term investors in Disney stock have enjoyed a healthy return on their investment. In fact, $1,000 invested in Disney stock on September 30, 1985 — including reinvestment of dividends — was worth $11,602 on September 30, 1995, providing an attractive 28% compound annual return. A similar investment in the Standard & Poor's 500 would have been worth $4,403 on September 30, 1995, representing a 16% annual return to investors.



RESULTS OF OPERATIONS

1995 vs. 1994

Revenues increased 20% or $2.06 billion to a record $12.11 billion in 1995, reflecting growth in Filmed Entertainment, Theme Parks and Resorts and Consumer Products revenues of $1.21 billion, $496.2 million, and $352.6 million, respectively. Revenues of $2.80 billion from foreign operations in all business segments increased 19% or $443.6 million in 1995 and represented 23% of total revenues.

Operating income rose 24% or $480.0 million to a record $2.45 billion in 1995, driven by increases in Filmed Entertainment, Theme Parks and Resorts and Consumer Products operating income of $218.3 million, $176.7 million and $85.0 million, respectively. Net income increased 24% to a record $1.38 billion and earnings per share increased 27% to a record $2.60 from $1.11 billion and $2.04, respectively.

1994 vs. 1993

Revenues increased 18% or $1.53 billion to a record $10.06 billion in 1994, driven by growth in Filmed Entertainment and Consumer Products revenues of $1.12 billion and $383.1 million, respectively. Revenues of $2.36 billion from foreign operations in all business segments increased 30% or $539.1 million in 1994 and represented 23% of total revenues, an increase of two percentage points over 1993.

Operating income rose 14% or $241.2 million to a record $1.97 billion in 1994, driven by increases in Filmed Entertainment and Consumer Products operating income of $233.9 million and $70.1 million, respectively, partially offset by Theme Parks and Resorts results, which declined $62.8 million. Net income increased 65% to a record $1.11 billion and earnings per share increased 66% to a record $2.04 from $671.3 million and $1.23, respectively, before the cumulative effect of accounting changes in 1993. Excluding Euro Disney reserves, which negatively impacted 1993 results, net income and earnings per share grew 25%.

Filmed Entertainment

1995 vs. 1994

Revenues increased 25% or $1.21 billion to $6.00 billion in 1995, driven by growth of $605 million in worldwide home video revenues, $340 million in television revenues and $106 million in worldwide theatrical revenues. Home video revenues increased primarily due to the domestic and initial international release of *The Lion King* and the worldwide release of *Snow White and the Seven Dwarfs*, compared to the worldwide release of *Aladdin*, the domestic release of *The Fox and the Hound* and the international release of *The Jungle Book* in the prior year. Television revenues grew primarily due to the release of *Home Improvement* in syndication and increased availability and success of titles in pay television. Theatrical revenues increased primarily due to the domestic rerelease and expanded international release of *The Lion King*, the domestic release of *Pocahontas* and the domestic release of the live-action titles *The Santa Clause, While You Were Sleeping* and *Pulp Fiction*.

Operating income increased 25% or $218.3 million to $1.07 billion in 1995, primarily due to growth in worldwide home video and television. Costs and expenses increased 25% or $989.9 million, principally due to higher home video marketing and distribution costs reflecting the worldwide release of *Snow White and the Seven Dwarfs* and the domestic release of *The Lion King*, higher distribution costs related to theatrical releases and costs associated with the syndication of *Home Improvement*.

1994 vs. 1993

Revenues increased 30% or $1.12 billion to $4.79 billion in 1994, driven by growth of $731 million in worldwide home video revenues, $224 million in worldwide theatrical revenues and $99 million in television revenues. Domestic

home video revenues were driven by *Aladdin, The Fox and the Hound* and *The Return of Jafar* compared to *Beauty and the Beast* and *Pinocchio* in 1993, while international home video revenues were driven by *The Jungle Book, Aladdin* and *Bambi* compared to *Beauty and the Beast* and *Cinderella* in the prior year. Theatrical revenues increased due to the worldwide release of *The Lion King*, except for Europe, *Aladdin* in Europe and continued expansion of theatrical productions, including full-year operations of Miramax, which was acquired in June 1993. Television revenues grew due to increased title availabilities worldwide.

Operating income increased 38% or $233.9 million to $856.1 million in 1994, driven by growth in worldwide home video activity and television, partially offset by lower worldwide theatrical operating income, reflecting lower results per film in 1994. Theatrical results in 1993 were driven by the worldwide release of *Aladdin* except for Europe, and international releases of *Beauty and the Beast, Sister Act* and *The Jungle Book,* compared to the 1994 release of *The Lion King*, the European release of *Aladdin*, and the international release of *Cool Runnings*. Costs and expenses increased 29% or $886.0 million, principally due to higher film cost amortization and increased distribution and selling costs, resulting from increased home video and theatrical activities.

Theme Parks and Resorts

1995 vs. 1994

Revenues increased 14% or $496.2 million to $3.96 billion, driven by growth of $288 million from higher theme park attendance in Florida and California and $127 million from an increase in occupied rooms at Florida resorts. Higher theme park attendance reflected increased domestic and international tourist visitation. The increase in occupied rooms reflected the openings of Disney's Wilderness Lodge and Disney's All-Star Sports Resort in the third quarter of 1994 and the phased opening of Disney's All-Star Music Resort during 1995.

Operating income increased 26% or $176.7 million to $860.8 million in 1995, driven by higher theme park attendance and increased occupied rooms at Florida resorts. Costs and expenses, which consist principally of labor, costs of merchandise, food and beverages sold, depreciation, repairs and maintenance, entertainment and marketing and sales expenses, increased 11% or $319.5 million, primarily due to expansion of theme park attractions and Florida resorts and increased marketing and sales expenses, partially offset by the impact of ongoing cost reduction initiatives.

1994 vs. 1993

Revenues of $3.46 billion in 1994 were substantially unchanged from the prior year, as growth of $86 million reflecting higher guest spending at Florida theme parks and resorts and $47 million from an increase in occupied rooms at Florida resorts offset the $114 million impact of lower attendance at Florida and California theme parks. Guest spending rose, primarily due to expanded product offerings and certain price increases, while the increase in occupied rooms reflected the third quarter openings of Disney's Wilderness Lodge and Disney's All-Star Sports Resort and expansion at the Disney Vacation Club. Lower attendance was driven by reduced international tourism.

Operating income decreased 8% or $62.8 million to $684.1 million in 1994, reflecting the impact of reduced revenues from lower theme park attendance. Costs and expenses increased 3% or $85.7 million, primarily due to expansion of theme park attractions and resorts in Florida and a charge recorded in the fourth quarter to write off certain development costs associated with Disney's America, as a result of the Company's decision to seek a new site for the theme park.

Consumer Products

1995 vs. 1994

Revenues increased 20% or $352.6 million to $2.15 billion in 1995, driven by growth of $237 million from the Disney Stores and $67 million

from worldwide character merchandise licensing. In 1995, 105 new Disney Stores opened, bringing the total number of stores to 429. Comparable store sales grew 4% and sales at new stores contributed $94 million of sales growth. Worldwide merchandise licensing growth was generated by increased demand for traditional Disney characters and recent animated film properties, principally *The Lion King* and *Pocahontas*.

Operating income increased 20% or $85.0 million to $510.5 million in 1995, primarily due to growth in worldwide character merchandise licensing and the Disney Stores. Costs and expenses, which consist principally of costs of goods sold, labor and publicity and promotion, increased 19% or $267.6 million, primarily due to ongoing expansion and revenue growth of the Disney Stores.

1994 vs. 1993

Revenues increased 27% or $383.1 million to $1.80 billion in 1994, driven by growth of $166 million from the Disney Stores, $109 million from worldwide character merchandise licensing and $87 million from publications, catalogs and records and audio entertainment. In 1994, 85 new Disney Stores opened, bringing the total number of stores to 324. Comparable store sales grew 7% and sales at new stores contributed $70 million of sales growth. Worldwide merchandise licensing growth was generated by increased demand for traditional Disney characters and new animated film properties, including *Aladdin* and *The Lion King*.

Operating income increased 20% or $70.1 million to $425.5 million in 1994, primarily due to the worldwide success of character merchandise licensing and expansion of the Disney Stores, partially offset by higher costs and expenses. Costs and expenses increased 30% or $313.0 million, primarily reflecting expansion and revenue growth of the Disney Stores and higher expenses in catalog businesses.

Corporate Activities
General and Administrative Expenses

1995 vs. 1994

General and administrative expenses increased 13% or $21.4 million to $183.6 million in 1995, reflecting higher corporate general and administrative expenses and losses from Disney Sports Enterprises (The Mighty Ducks of Anaheim) due to the shortened NHL season.

1994 vs. 1993

General and administrative expenses decreased 1% or $2.0 million to $162.2 million in 1994, reflecting operating income from Disney Sports Enterprises and lower losses incurred by Hollywood Records, partially offset by higher corporate general and administrative expenses incurred to support growth in the Company's operations and performance-related incentive programs.

Investment and Interest Income and Interest Expense

1995 vs. 1994

Total investment and interest income decreased 48% or $61.9 million to $68.0 million in 1995. The decrease reflected both lower average investment balances and yields.

Interest expense increased 49% or $58.4 million to $178.3 million in 1995, primarily reflecting the impact of higher borrowings, due in part to calendar 1994 common stock repurchases and prior-year Euro Disney funding.

1994 vs. 1993

Total investment and interest income decreased 30% or $56.2 million to $129.9 million in 1994. The decrease reflected both lower average investment balances and yields.

Interest expense decreased 24% or $37.8 million to $119.9 million in 1994, primarily due to the 1993 write-off of unamortized issuance costs related to subordinated notes redeemed by the Company and increased capitalized interest, resulting from higher capital expenditures in the current year.

Investment in Euro Disney

1995 vs. 1994

The Company's investment in Euro Disney resulted in a loss of $35.1 million in 1995, com-

pared to a loss of $110.4 million in 1994. Results for 1995 include a gain of $55 million from the sale of approximately 75 million shares, or 20% of the Company's investment in Euro Disney, to Prince Alwaleed Bin Talal Bin Abdulaziz Al Saud in the first quarter. The Company currently holds an ownership interest in Euro Disney of approximately 39% and has agreed, under certain conditions, to maintain ownership of at least 34% of the outstanding common stock of Euro Disney until June 1999, at least 25% for the subsequent five years and at least 16.67% for an additional term thereafter. The prior-year loss consisted of a $52.8 million third-quarter charge reflecting the Company's participation in the Euro Disney financial restructuring, and the Company's equity share of Euro Disney's post-restructuring operating results.

1994 vs. 1993

The Company's investment in Euro Disney resulted in a loss of $110.4 million in 1994. The loss consisted of a $52.8 million charge recognized in the third quarter as a result of the Company's participation in the Euro Disney financial restructuring and the Company's equity share of fourth quarter operating results. The prior year loss reflected the Company's equity share of Euro Disney's operating results and a $350.0 million charge to fully reserve receivables from and a funding commitment to Euro Disney, partially offset by royalties and gain amortization related to the investment.

During the third quarter of 1994, the Company entered into agreements with Euro Disney and lenders participating in the restructuring (the "Lenders"), to provide certain debt, equity and lease financing to Euro Disney.

Under the restructuring agreements, which specified amounts denominated in French francs, the Company increased its equity investment in Euro Disney by subscribing for 49% of a $1.1 billion rights offering of new shares; provided long-term lease financing at a 1% interest rate for approximately $255 million of theme park assets; and subscribed for securities reimbursable in shares with a face value of approximately $180 million and a 1% coupon. In addition, the Company canceled fully-reserved receivables from Euro Disney of approximately $210 million, waived royalties and base management fees for a period of five years and reduced such amounts for specified periods thereafter, and modified the method by which management incentive fees will be calculated.

Additionally, the Company agreed to arrange for the provision of a 10-year unsecured standby credit facility of approximately $210 million, upon request, bearing interest at PIBOR. As of September 30, 1995, Euro Disney had not requested the Company to establish this facility.

As part of the overall restructuring, the Lenders served as underwriters for 51% of the Euro Disney rights offering, forgave certain interest charges for the period from April 1, 1994 to September 30, 2003, having a present value of approximately $300 million, and deferred all principal payments until three years later than originally scheduled.

In connection with the restructuring, Euro Disney Associés S.N.C. ("Disney SNC"), an indirect wholly-owned affiliate of the Company, entered into a lease arrangement with a noncancelable term of 12 years (the "Lease") related to substantially all of the Disneyland Paris theme park assets, and then entered into a 12-year sublease agreement (the "Sublease") with Euro Disney. Remaining lease rentals at September 30, 1995 of approximately FF 10 billion ($2 billion) receivable from Euro Disney under the Sublease approximate the amounts payable by Disney SNC under the Lease. At the conclusion of the Sublease term, Euro Disney will have the option to assume Disney SNC's rights and obligations under the Lease. If Euro Disney does not exercise its option, Disney SNC may purchase the assets, continue to lease the assets or elect to terminate the Lease, in which case Disney SNC would make a termination payment to the lessor equal to 75% of the lessor's then outstanding debt related to the theme park assets, estimated to be $1.5 billion; Disney SNC could then sell or lease the assets on behalf of the lessor to satisfy the remaining debt, with any excess proceeds payable to Disney SNC.

LIQUIDITY AND CAPITAL RESOURCES

The Company generates significant cash from operations and has substantial borrowing capacity to meet its operating and discretionary cash requirements.

Cash provided by operations increased 25% or $702.8 million to $3.51 billion in 1995, primarily due to increased operating income in each business segment.

Net borrowings (the Company's borrowings less cash and liquid investments) decreased $327 million to $1.4 billion. The decrease was primarily due to payments of existing debt and an increase in cash and liquid investments, partially offset by the issuance of $400 million of senior participating notes in the second quarter and $300 million of senior, unsecured debt obligations in the first quarter.

In 1995, the Company invested $1.89 billion to develop and produce film and television properties and $896.5 million to design and develop new theme park attractions and resort properties, including Disney's Animal Kingdom, Disney Cruise Lines, the Blizzard Beach water park, Disney's BoardWalk and the town of Celebration.

Pursuant to agreements executed in connection with the 1994 Euro Disney financial restructuring, the Company sold approximately 75 million, or 20%, of its Euro Disney shares to Prince Alwaleed Bin Talal Bin Abdulaziz Al Saud for approximately $145 million in 1995.

The Company repurchased 8.9 million shares of its common stock for approximately $349 million in 1995. Under its share repurchase program, the Company is authorized to purchase up to an additional 104 million shares. The Company evaluates share repurchase decisions on an ongoing basis, taking into account borrowing capacity, management's target capital structure, and other investment opportunities. The Company also used $180 million to fund dividend payments during the year.

The Company currently maintains significant borrowing capacity to take advantage of growth and investment opportunities. The Company focuses on net borrowings, which take into account its cash and investment balances, when monitoring borrowing capacity. The Company's borrowing capacity includes credit facilities which are available for general corporate purposes and to support commercial paper issuance.

The Company's financial condition remains strong. The Company believes that its cash, other liquid assets, operating cash flows, access to equity capital markets and borrowing capacity taken together provide adequate resources to fund ongoing operating requirements and future capital expenditures related to the expansion of existing businesses and development of new projects. Expansion of existing businesses includes continued film and television production, design and development of theme park attractions and resort properties and expansion of the Disney Stores worldwide. Theme park and resort projects currently under development include Disney's Animal Kingdom, the town of Celebration, Disney Cruise Lines, the Coronado Springs Resort and Disney's BoardWalk. In addition, the Company continually evaluates discretionary investments in new projects which complement its existing businesses.

In July 1995, the Company and Capital Cities/ABC, Inc. ("Cap Cities") entered into a reorganization agreement, pursuant to which the Company expects to acquire Cap Cities in a transaction that will be accounted for as a purchase. (See Note 2 of Notes to Consolidated Financial Statements.) The transaction has been approved by the Board of Directors of each company, and is subject to regulatory review and approval by each company's stockholders. Pursuant to the reorganization agreement, stockholders of Cap Cities will have the right to receive a combination of common stock and cash. The relative proportions of common stock and cash consideration payable to Cap Cities stockholders are dependent upon certain elections to be made by Cap Cities stockholders and other conditions as defined in the reorganization agreement. The acquisition cost is estimated to be $19 billion as of the date the transaction was announced. The transaction is expected to be completed by early 1996.

In October 1995, the Company established bank facilities totaling $12 billion to support the issuance of commercial paper. The Company intends to initially fund the cash portion of the Cap Cities purchase consideration through the issuance of commercial paper and the use of existing cash and investments. The Company may subsequently replace the commercial paper with longer-term financing. In accordance with this objective, the Company has filed a shelf registration statement permitting the issuance from time to time of up to $5 billion of debt and preferred equity securities.

Upon consummation of the Cap Cities acquisition, the Company's debt and equity capitalization will change significantly from the issuance of new borrowings and Company common stock. The Company continues to believe that it will have adequate resources to fund ongoing operating requirements and future capital expenditures related to the expansion of existing businesses and development of new projects.

Risk Management Strategies

The Company employs a variety of on- and off-balance-sheet financial instruments to manage its business and financial market risks.

During 1995 and 1994, the Company raised $400 million and $475 million, respectively, from the issuance of senior participating notes. The notes, due 2000 with a minimum yield of 2.0% and due 2001 with a minimum yield of 4.2%, respectively, provide that a portion of the interest paid is contingent upon the performance of a portfolio of live-action films released under the Company's various film labels. In the future, the Company will continue to seek partners that will share the risks and rewards of its live-action film business.

The Company's foreign currency revenues continue to grow and management believes it is prudent to reduce the risk associated with fluctuations in the value of the U.S. dollar in the foreign exchange markets. The Company uses foreign currency forward and option contracts to reduce the impact of changes in the value of its existing foreign currency assets and liabilities, commitments and anticipated foreign currency revenues denominated in Japanese yen, French francs, German marks, British pounds, and other currencies. The primary focus of the Company's foreign exchange risk management program is to reduce earnings volatility. By policy, the Company maintains hedge coverages between minimum and maximum percentages of its anticipated foreign exchange exposures for each of the next five years.

The Company is exposed to interest rate risk related to its investments and borrowings. The Company monitors the net interest rate sensitivity of its portfolio of investments and borrowings and uses interest rate and cross-currency swaps, exchange-traded futures and forward and option contracts to manage the net interest exposure and to lower overall borrowing costs. In addition, in anticipation of additional borrowings to finance its proposed acquisition of Cap Cities, the Company has entered into forward-starting interest rate swaps to manage the interest rate risk associated with such borrowings. The Company's objective is to manage the impact of interest rate changes on earnings and on the market value of its investments and borrowings. The Company does not expect interest rate movements to significantly affect its liquidity in the foreseeable future. For 1995 and 1994, a 1% increase or decrease in interest rates would not have had a material impact on the Company's liquidity or operating results.

The Company continually monitors its positions with, and the credit quality of, the financial institutions which are counterparties to its off-balance-sheet financial instruments, and does not anticipate failure to perform by such institutions. The Company enters into off-balance-sheet transactions only with financial institution counterparties which have a credit rating of single A- or better. The Company's current policy in agreements with financial institution counterparties is generally to require collateral in the event credit ratings fall below single A-. With respect to certain contracts, the Company has the right to offset amounts payable to the counterparties to the extent of amounts receivable, further reducing the risk associated with counterparty nonperformance.

CONSOLIDATED STATEMENT OF INCOME

(In millions, except per share data)

Year ended September 30	1995	1994	1993
Revenues			
Filmed entertainment	$ **6,001.5**	$ 4,793.3	$ 3,673.4
Theme parks and resorts	**3,959.8**	3,463.6	3,440.7
Consumer products	**2,150.8**	1,798.2	1,415.1
	12,112.1	10,055.1	8,529.2
Costs and Expenses			
Filmed entertainment	**4,927.1**	3,937.2	3,051.2
Theme parks and resorts	**3,099.0**	2,779.5	2,693.8
Consumer products	**1,640.3**	1,372.7	1,059.7
	9,666.4	8,089.4	6,804.7
Operating Income			
Filmed entertainment	**1,074.4**	856.1	622.2
Theme parks and resorts	**860.8**	684.1	746.9
Consumer products	**510.5**	425.5	355.4
	2,445.7	1,965.7	1,724.5
Corporate Activities			
General and administrative expenses	**183.6**	162.2	164.2
Interest expense	**178.3**	119.9	157.7
Investment and interest income	**(68.0)**	(129.9)	(186.1)
	293.9	152.2	135.8
Loss from Investment in Euro Disney	**(35.1)**	(110.4)	(514.7)
Income Before Income Taxes and Cumulative Effect of Accounting Changes	**2,116.7**	1,703.1	1,074.0
Income taxes	**736.6**	592.7	402.7
Income Before Cumulative Effect of Accounting Changes	**1,380.1**	1,110.4	671.3
Cumulative Effect of Accounting Changes			
Pre-opening costs	–	–	(271.2)
Postretirement benefits	–	–	(130.3)
Income taxes	–	–	30.0
Net Income	$ **1,380.1**	$ 1,110.4	$ 299.8
Amounts Per Common Share			
Earnings Before Cumulative Effect of Accounting Changes	$ **2.60**	$ 2.04	$ 1.23
Cumulative Effect of Accounting Changes			
Pre-opening costs	–	–	(.50)
Postretirement benefits	–	–	(.24)
Income taxes	–	–	.06
Earnings Per Share	$ **2.60**	$ 2.04	$ .55
Average Number of Common and Common Equivalent Shares Outstanding	**530.4**	545.2	544.5
Pro Forma Amounts Assuming the New Accounting Method for Pre-opening Costs is Applied Retroactively			
Net Income			$ 571.0
Earnings Per Share			$ 1.05

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET
(In millions)

Year ended September 30	1995	1994
Assets		
Cash and cash equivalents	$ 1,076.5	$ 186.9
Investments	866.3	1,323.2
Receivables	1,792.8	1,670.5
Merchandise inventories	824.0	668.3
Film and television costs	2,099.4	1,596.2
Theme parks, resorts and other property, at cost		
Attractions, buildings and equipment	8,339.9	7,450.4
Accumulated depreciation	(3,038.5)	(2,627.1)
	5,301.4	4,823.3
Projects in progress	778.4	879.1
Land	110.5	112.1
	6,190.3	5,814.5
Investment in Euro Disney	532.9	629.9
Other assets	1,223.6	936.8
	$ 14,605.8	$ 12,826.3
Liabilities and Stockholders' Equity		
Accounts payable and other accrued liabilities	$ 2,842.5	$ 2,474.8
Income taxes payable	200.2	267.4
Borrowings	2,984.3	2,936.9
Unearned royalty and other advances	860.7	699.9
Deferred income taxes	1,067.3	939.0
Stockholders' equity		
Preferred stock, $.10 par value		
Authorized - 100.0 million shares		
Issued - none		
Common stock, $.025 par value		
Authorized - 1.2 billion shares		
Issued - 575.4 million shares and 567.0 million shares	1,226.3	945.3
Retained earnings	6,990.4	5,790.3
Cumulative translation and other adjustments	37.3	59.1
	8,254.0	6,794.7
Less treasury stock, at cost - 51.0 million shares and 42.9 million shares	1,603.2	1,286.4
	6,650.8	5,508.3
	$ 14,605.8	$ 12,826.3

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS
(In millions)

Year ended September 30	1995	1994	1993
Cash Provided by Operations Before Income Taxes	**$ 4,067.5**	$ 3,127.7	$ 2,453.9
Income taxes paid	**(557.4)**	(320.4)	(308.7)
	3,510.1	2,807.3	2,145.2
Investing Activities			
Film and television costs	**(1,886.0)**	(1,433.9)	(1,264.6)
Investments in theme parks, resorts and other property	**(896.5)**	(1,026.1)	(813.9)
Euro Disney investment	**144.8**	(971.1)	(140.1)
Purchases of investments	**(1,033.2)**	(952.7)	(1,313.5)
Proceeds from sales of investments	**1,460.3**	1,494.1	841.0
Other	**(77.8)**	3.0	31.4
	(2,288.4)	(2,886.7)	(2,659.7)
Financing Activities			
Borrowings	**786.1**	1,866.4	1,256.0
Reduction of borrowings	**(771.9)**	(1,315.3)	(1,119.2)
Repurchases of common stock	**(348.7)**	(570.7)	(31.6)
Dividends	**(180.0)**	(153.2)	(128.6)
Other	**182.4**	76.1	136.1
	(332.1)	(96.7)	112.7
Increase (Decrease) in Cash and Cash Equivalents	**889.6**	(176.1)	(401.8)
Cash and Cash Equivalents, Beginning of Year	**186.9**	363.0	764.8
Cash and Cash Equivalents, End of Year	**$ 1,076.5**	$ 186.9	$ 363.0

The difference between Income Before Income Taxes and Cumulative Effect of Accounting Changes as shown on the Consolidated Statement of Income and Cash Provided By Operations Before Income Taxes is detailed as follows.

	1995	1994	1993
Income Before Income Taxes and Cumulative Effect of Accounting Changes	**$ 2,116.7**	$ 1,703.1	$ 1,074.0
Cumulative Effect of Accounting Changes	–	–	(514.2)
Charges to Income Not Requiring Cash Outlays			
Depreciation	**470.2**	409.7	364.2
Amortization of film and television costs	**1,382.8**	1,198.6	664.2
Euro Disney	**35.1**	110.4	350.0
Other	**98.1**	121.1	163.5
Changes in			
Investments in trading securities	**1.2**	–	–
Receivables	**(122.3)**	(280.2)	(211.0)
Merchandise inventories	**(155.7)**	(59.4)	(146.1)
Other assets	**(287.7)**	(81.5)	197.0
Accounts payable and other accrued liabilities	**368.3**	146.7	544.4
Unearned royalty and other advances	**160.8**	(140.8)	(32.1)
	1,950.8	1,424.6	1,379.9
Cash Provided by Operations Before Income Taxes	**$ 4,067.5**	$ 3,127.7	$ 2,453.9
Supplemental Cash Flow Information:			
Interest paid	**$ 122.8**	$ 99.3	$ 77.3

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular dollars in millions, except per share amounts)

1 Description of the Business and Summary of Significant Accounting Policies

The Walt Disney Company, together with its subsidiaries (the "Company"), is a diversified international entertainment company with operations or investments in the following businesses.

FILMED ENTERTAINMENT

The Company produces and acquires live-action and animated motion pictures for distribution to the theatrical, television and home video markets. The Company also produces original television programming for the network and first-run syndication markets. The Company distributes its filmed product through its own distribution and marketing companies in the United States and most foreign markets. The Company provides programming for and operates The Disney Channel, a pay television programming service, and a Los Angeles, California television station.

THEME PARKS AND RESORTS

The Company operates the Walt Disney World® destination resort in Florida and the Disneyland Park® and the Disneyland Hotel in California. The Walt Disney World destination resort includes the Magic Kingdom, Epcot and the Disney-MGM Studios Theme Park, twelve resort hotels and a complex of villas and suites, a nighttime entertainment complex, a shopping village, conference centers, campgrounds, golf courses, water parks and other recreational facilities. The Company earns royalties on revenues generated by the Tokyo Disneyland theme park near Tokyo, Japan, which is owned and operated by an unrelated Japanese corporation. The Company's Disney Design and Development unit designs and develops new theme park concepts and attractions, as well as resort properties. The Company also manages and markets vacation ownership interests in the Disney Vacation Club.

CONSUMER PRODUCTS

The Company licenses the name Walt Disney, as well as the Company's characters, visual and literary properties and songs and music, to various consumer manufacturers, retailers, show promoters and publishers throughout the world. The Company also engages in direct retail distribution through the Disney Stores and consumer catalogs, and is a publisher of books, magazines and comics in the United States and Europe. In addition, the Company produces audio products for all markets, as well as film and video products for the educational marketplace.

INVESTMENT IN EURO DISNEY

The Company is an equity investor in Euro Disney S.C.A. ("Euro Disney"), the operator of the Disneyland Paris Resort (see Note 3).

SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements of the Company include the accounts of The Walt Disney Company and its subsidiaries after elimination of intercompany accounts and transactions. Investments in affiliated companies are accounted for using the equity method.

Accounting Changes

Effective October 1, 1994, the Company adopted Statement of Financial Accounting Standards ("SFAS") 115 *Accounting for Certain Investments in Debt and Equity Securities* (see Note 14), the impact of which was not material. Effective October 1, 1992, the Company adopted SFAS 106 *Employers' Accounting for Postretirement Benefits Other Than Pensions* (see Note 8) and SFAS 109 *Accounting for Income Taxes* (see Note 7) and changed its method of accounting for pre-opening costs (see Note 12). These changes had no cash impact.

The pro forma amounts presented in the consolidated statement of income reflect the effect of retroactive application of expensing pre-opening costs.

Revenue Recognition

Revenues from the theatrical distribution of motion pictures are recognized when motion pictures are exhibited. Television licensing revenues are recorded when the program material is available for telecasting by the licensee and when certain other conditions are met. Revenues from video sales are recognized on the date that video units are made widely available for sale by retailers.

Revenues from participants and sponsors at the theme parks are generally recorded over the period of the applicable agreements commencing with the opening of the related attraction.

Cash, Cash Equivalents and Investments

Cash and cash equivalents consist of cash on hand and marketable securities with original maturities of three months or less.

SFAS 115, adopted in 1995, requires that certain investments in debt and equity securities be classified into one of three categories. Debt securities that the

Company has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and reported at amortized cost. Debt securities not classified as held-to-maturity and marketable equity securities are classified as either "trading" or "available-for-sale," and are recorded at fair value with unrealized gains and losses included in earnings or stockholders' equity, respectively. Prior to 1995, debt securities were carried at cost, adjusted for unamortized premium or discount. Marketable equity securities were carried at the lower of aggregate cost or market. Realized gains and losses were determined on an average cost basis.

Merchandise Inventories

Carrying amounts of merchandise, materials and supplies inventories are generally determined on a moving average cost basis and are stated at the lower of cost or market.

Film and Television Costs

Film and television production and participation costs are expensed based on the ratio of the current period's gross revenues to estimated total gross revenues from all sources on an individual production basis. Estimates of total gross revenues are reviewed periodically and amortization is adjusted accordingly.

Television broadcast rights are amortized principally on an accelerated basis over the estimated useful lives of the programs.

Theme Parks, Resorts and Other Property

Theme parks, resorts and other property are carried at cost. Depreciation is computed on the straight-line method based upon estimated useful lives ranging from three to fifty years.

Other Assets

Rights to the name, likeness and portrait of Walt Disney, goodwill and other intangible assets are amortized over periods ranging from two to forty years.

Risk Management Contracts

In the normal course of business, the Company employs a variety of off-balance-sheet financial instruments to manage its exposure to fluctuations in interest and foreign currency exchange rates, including interest rate and cross- currency swap agreements, forward and option contracts, and interest rate exchange-traded futures. The Company designates interest rate and cross-currency swaps as hedges of investments and debt, and accrues the differential to be paid or received under the agreements as interest rates change over the lives of the contracts. Differences paid or received on swap agreements are recognized as adjustments to interest income or expense over the life of the swaps, thereby adjusting the effective interest rate on the underlying investment or obligation. Gains and losses on the termination of swap agreements, prior to their original maturity, are deferred and amortized to interest income or expense over the original term of the swaps. Gains and losses arising from interest rate futures, forwards and option contracts, and foreign currency forward and option contracts are recognized in income or expense as offsets of gains and losses resulting from the underlying hedged transactions.

Cash flows from interest rate and foreign exchange risk management activities are classified in the same category as the cash flows from the related investment, borrowing or foreign exchange activity.

The Company classifies its derivative financial instruments as held or issued for purposes other than trading.

Earnings Per Share

Earnings per share amounts are based upon the weighted average number of common and common equivalent shares outstanding during the year. Common equivalent shares are excluded from the computation in periods in which they have an anti-dilutive effect.

Reclassifications

Certain reclassifications have been made in the 1994 and 1993 financial statements to conform to the 1995 presentation.

2 Proposed Acquisition

In July 1995, the Company and Capital Cities/ABC, Inc. ("Cap Cities") entered into a reorganization agreement, pursuant to which the Company expects to acquire Cap Cities in a transaction that will be accounted for as a purchase. The transaction has been approved by the Board of Directors of each company, and is subject to regulatory review and approval by each company's stockholders. Pursuant to the reorganization agreement, stockholders of Cap Cities will have the right to receive one share of common stock and $65 in cash, or the equivalent value in common stock or in cash, subject to certain limitations, for each of their shares. The acquisition cost is estimated to be $19 billion based upon the Company's common stock price as of the date the transaction was announced. The transaction is expected to be completed in early 1996.

Cap Cities, directly or through its subsidiaries, operates the ABC Television Network, ten television stations, the ABC Radio Networks and 21 radio stations, and provides programming for cable tele-

vision. Through joint ventures, Cap Cities is also engaged in international broadcast/cable services and television production and distribution. Cap Cities also publishes daily and weekly newspapers, shopping guides, various specialized and business periodicals and books, provides research services, and distributes information from databases.

The Company's consolidated results of operations will incorporate Cap Cities activity commencing upon the acquisition date. The unaudited pro forma combined information below presents combined results of operations as if the acquisition had occurred October 1, 1994 and balance sheet information as if the acquisition had occurred as of September 30, 1995. The unaudited pro forma combined information, based upon the historical consolidated financial statements of the Company and Cap Cities, assumes an acquisition cost of approximately $19 billion, and further assumes that an estimated $16 billion excess of acquisition cost over the net tangible book value of Cap Cities' assets is allocated to intangible assets with a useful life of 40 years. In addition, since the exact amounts of cash and/or shares of common stock issuable to Cap Cities stockholders are dependent upon certain elections to be made by Cap Cities stockholders and other conditions as defined in the reorganization agreement, two alternative scenarios of unaudited pro forma combined financial information are presented, which give effect to the range of possible amounts of common stock and/or cash to be received by Cap Cities stockholders upon consummation of the acquisition. Scenario 1 assumes that all Cap Cities stockholders receive one share of common stock and $65 in cash for each outstanding share of Cap Cities common stock, reflecting the maximum number of shares of common stock which could be issued in connection with the acquisition. Scenario 2 assumes that all Cap Cities stockholders receive solely cash for each outstanding share of Cap Cities common stock.

The unaudited pro forma combined information is not necessarily indicative of the results of operations of the combined company had the acquisition occurred October 1, 1994, or financial position had the acquisition occurred on September 30, 1995, nor is it necessarily indicative of future results or financial position.

	Scenario 1 Year ended Sept. 30, 1995	Scenario 2 Year ended Sept. 30, 1995
Statement of Income Data		
Revenues	$18,908.4	$18,908.4
Net income	1,368.5	987.7
Earnings per share (1)	2.00	1.86

	Scenario 1 Sept. 30, 1995	Scenario 2 Sept. 30, 1995
Balance Sheet Data		
Total assets	$33,538.6	$33,538.6
Borrowings	11,588.4	21,192.1
Stockholders' equity	15,478.1	5,874.5

(1) Earnings per share excluding amortization of intangible assets would be $2.60 and $2.64 under scenarios 1 and 2, respectively.

3 Investment in Euro Disney

Euro Disney, a publicly traded French company, operates the Disneyland Paris theme park and resort complex on a 4,800-acre site near Paris, France. The Company accounts for its ownership interest in Euro Disney using the equity method of accounting.

In October 1994, the Company sold approximately 75 million Euro Disney shares for $145 million to Prince Alwaleed Bin Talal Bin Abdulaziz Al Saud, Chairman of United Saudi Commercial Bank, and recognized a gain of $55 million. The sale reduced the Company's equity ownership in Euro Disney from 49% at September 30, 1994 to approximately 39%. The quoted market value of the Company's Euro Disney shares at September 30, 1995 was approximately $966 million.

During the third quarter of 1994, the Company entered into restructuring agreements with Euro Disney and the lenders participating in a financial restructuring for Euro Disney (the "Lenders") and recorded a charge of $52.8 million to reflect its participation in the restructuring. In the fourth quarter of 1994, the Company recorded a loss of $57.6 million to reflect its equity share of Euro Disney's operating results for that period.

Under the restructuring agreements, which specified amounts denominated in French francs, the Company increased its equity investment in Euro Disney by subscribing for 49% of a $1.1 billion rights offering of new shares; provided long-term lease financing at a 1% interest rate for approximately $255 million of Disneyland Paris theme park assets; and subscribed for securities reimbursable in shares with a face value of approximately $180 million and a 1% coupon. In addition, the Company canceled fully-reserved receivables from Euro Disney of approximately $210 million, waived royalties and base management fees for a period of five years and reduced such amounts for specified periods thereafter, and modified the method by which management incentive fees will be calculated.

Additionally, the Company agreed to arrange for the provision of a 10-year unsecured standby credit facility of approximately $210 million, upon request, bearing interest at PIBOR. As of September 30, 1995, Euro Disney had not requested the Company to establish this facility.

The Company also agreed, as long as any obligations to the Lenders are outstanding, to maintain

ownership of at least 34% of the outstanding common stock of Euro Disney until June 1999, at least 25% for the subsequent five years and at least 16.67% for an additional term thereafter.

In connection with the restructuring, Euro Disney Associés S.N.C. ("Disney SNC"), an indirect wholly-owned affiliate of the Company, entered into a lease arrangement with a noncancelable term of 12 years (the "Lease") related to substantially all of the Disneyland Paris theme park assets, and then entered into a 12-year sublease agreement (the "Sublease") with Euro Disney. Remaining lease rentals at September 30, 1995 of FF 10 billion ($2 billion) receivable from Euro Disney under the Sublease approximate the amounts payable by Disney SNC under the Lease. At the conclusion of the Sublease term, Euro Disney will have the option to assume Disney SNC's rights and obligations under the Lease. If Euro Disney does not exercise its option, Disney SNC may purchase the assets, continue to lease the assets or elect to terminate the Lease, in which case Disney SNC would make a termination payment to the lessor equal to 75% of the lessor's then outstanding debt related to the theme park assets, estimated to be $1.5 billion; Disney SNC could then sell or lease the assets on behalf of the lessor to satisfy the remaining debt, with any excess proceeds payable to Disney SNC.

As part of the overall restructuring, the Lenders served as underwriters for 51% of the Euro Disney rights offering, forgave certain interest charges for the period from April 1, 1994 to September 30, 2003, having a present value of approximately $300 million, and deferred all principal payments until three years later than originally scheduled.

In 1993, the Company's loss from its investment in Euro Disney included a $350 million charge to fully reserve its outstanding receivables and its commitment to help fund Euro Disney for a limited period, to afford Euro Disney time to attempt the financial restructuring. Previously deferred base management fees for 1993 were permanently waived as part of Euro Disney's financial restructuring.

Euro Disney's consolidated financial statements are prepared in accordance with accounting principles generally accepted in France ("French GAAP"). Under French GAAP, Euro Disney recognized net income of FF 114 million in 1995, a net loss of FF 1.8 billion in 1994, and a net loss of FF 5.3 billion in 1993 (FF 2.1 billion before the cumulative effect of an accounting change). During 1993, Euro Disney changed its method of accounting for project-related pre-opening costs. Under the new method, such costs are expensed as incurred. The cumulative effect of the change in method on prior years was a charge against income of FF 3.2 billion. The effect of the change in 1993 was to decrease the loss before the cumulative effect of accounting change by FF 338 million.

U.S. generally accepted accounting principles ("U.S. GAAP") differ in certain significant respects from French GAAP applied by Euro Disney, principally as they relate to accounting for leases and the calculation of interest expense relating to the debt affected by Euro Disney's financial restructuring. In addition, the U.S. GAAP treatment of receivables due from Euro Disney and canceled by the Company in connection with Euro Disney's financial restructuring in 1994 differed significantly from French GAAP applied by Euro Disney. The summarized consolidated financial statements for Euro Disney set forth below are stated in U.S. dollars in accordance with U.S. GAAP.

Balance Sheet	**1995**	1994
Cash and investments	**$ 291**	$ 289
Receivables	**207**	227
Fixed assets, net	**3,855**	3,791
Other assets	**173**	137
Total Assets	**$ 4,526**	$ 4,444
Accounts payable and other liabilities	**$ 642**	$ 560
Borrowings	**3,213**	3,051
Stockholders' equity	**671**	833
Total Liabilities and Stockholders' Equity	**$ 4,526**	$ 4,444

Statement of Operations	**1995**	1994	1993
Revenues	**$ 912**	$ 751	$ 873
Costs and expenses	**967**	1,198	1,114
Net interest expense	**161**	280	287
Loss before income taxes and cumulative effect of accounting change	**(216)**	(727)	(528)
Income taxes	**–**	–	–
Loss before cumulative effect of accounting change	**(216)**	(727)	(528)
Cumulative effect of change in accounting for pre-opening costs	**–**	–	(578)
Net Loss	**$ (216)**	$ (727)	$(1,106)
Pro forma net loss assuming the change in accounting method is applied retroactively			$ (528)

4 Film and Television Costs

	1995	1994
Theatrical Film Costs		
Released, less amortization	**$ 632.0**	$ 436.7
In process	**969.8**	627.1
	1,601.8	1,063.8

Television Costs		
Released, less amortization	**274.1**	281.9
In process	**119.9**	124.7
	394.0	406.6
Television Broadcast Rights	**103.6**	125.8
	$ 2,099.4	$ 1,596.2

Based on management's total gross revenue estimates as of September 30, 1995, approximately 87% of unamortized production costs applicable to released theatrical and television productions are expected to be amortized during the next three years.

5 Borrowings

	Effective Interest Rate	Fiscal Year Maturity	1995	1994
Senior participating notes (a)	6.3%	2000-2001	**$1,056.8**	$ 722.8
Medium-term notes (b)	7.3	1996-2093	**863.0**	948.0
Eurobonds	8.2	1998	**300.0**	–
Japanese yen bonds (c)	5.6	1998	**285.4**	285.4
Securities sold under agreements to repurchase (d)	0.5	1996	**180.0**	57.5
Commercial paper (e)	–	–	**–**	609.1
Other (c)	8.6	1996-2013	**299.1**	314.1
	6.6%		**$2,984.3**	$2,936.9

(a) The average coupon rate is 2.7% on $1.3 billion face value amount of notes. Additional interest may be paid based on the performance of designated portfolios of films.
(b) The effective interest rate reflects the effect of interest rate swaps entered into with respect to certain of these borrowings.
(c) The effective interest rate reflects the effect of cross-currency swaps entered into with respect to certain of these borrowings.
(d) Securities sold under agreements to repurchase are collateralized by certain marketable securities.
(e) The Company has available through 2000 an unsecured revolving line of bank credit of up to $1 billion for general corporate purposes, including the support of commercial paper borrowings. In addition, in October 1995, the Company established bank facilities totaling $12 billion to support the issuance of commercial paper to fund the cash portion of the Cap Cities purchase price (see Note 2). The facilities expire in one to six years. Under the revolving line of bank credit and the new bank facilities, the Company has the option to borrow at various interest rates.

Borrowings, excluding commercial paper and securities sold under agreements to repurchase, have the following scheduled maturities.

1996	$128.7
1997	108.0
1998	711.1
1999	33.3
2000	850.3

The Company capitalizes interest on assets constructed for its theme parks, resorts and other property, and on theatrical and television productions in process. In 1995, 1994 and 1993, respectively, total interest costs incurred were $236.4, $171.9 and $183.7 million, of which $58.1, $52.0 and $26.0 million were capitalized.

6 Unearned Royalty and Other Advances

	1995	1994
Tokyo Disneyland royalty advances	**$ 452.1**	$ 466.6
Other	**408.6**	233.3
	$ 860.7	$ 699.9

In 1988, the Company monetized a substantial portion of its royalties through 2008 from certain Tokyo Disneyland operations. The Company has certain ongoing obligations under its contract with the owner and operator of Tokyo Disneyland, and accordingly, royalty advances are being amortized through 2008. The maximum amount the Company may be required to fund under certain recourse provisions of the monetization agreement is $145 million. The Company does not anticipate funding any significant amount under this agreement.

7 Income Taxes

	1995	1994	1993
Income Before Income Taxes and Cumulative Effect of Accounting Changes			
Domestic (including U.S. exports)	**$ 1,908.3**	$ 1,514.5	$ 931.4
Foreign subsidiaries	**208.4**	188.6	142.6
	$ 2,116.7	$ 1,703.1	$ 1,074.0
Income Tax Provision			
Current			
Federal	**$ 325.6**	$ 117.3	$ 217.3
State	**67.6**	29.9	47.1
Foreign subsidiaries	**78.7**	84.1	63.3
Other foreign	**104.6**	78.7	65.1
	576.5	310.0	392.8
Deferred			
Federal	**170.1**	259.6	17.0
State	**(10.0)**	23.1	(7.1)
	160.1	282.7	9.9
	$ 736.6	$ 592.7	$ 402.7

Components of Deferred Tax Assets and Liabilities	1995	1994
Deferred tax assets:		
Accrued liabilities	**$ (351.0)**	$ (221.3)
Investment in Euro Disney	**(153.2)**	(133.3)
State income/franchise taxes	**(88.7)**	(72.9)
Pension and other benefit programs	**–**	(26.2)
Total deferred tax assets	**(592.9)**	(453.7)

7 Income Taxes (cont.)

Deferred tax liabilities:			
Theme parks, resorts and other property		**1,133.0**	954.8
Licensing revenues		**91.3**	66.1
Interest and property taxes		**87.5**	73.8
Purchase accounting		**48.3**	49.6
Leveraged leases		**198.7**	175.1
Other - net		**51.6**	23.5
Total deferred tax liabilities		**1,610.4**	1,342.9
Net deferred tax liability before valuation allowance		**1,017.5**	889.2
Valuation allowance		**49.8**	49.8
Net deferred tax liability		**$ 1,067.3**	$ 939.0

Reconciliation of Effective Income Tax Rate	1995	1994	1993
Federal income tax rate	**35.0%**	35.0%	34.8%
State taxes, net of Federal income tax benefit	**1.9**	2.1	2.2
Effect of increase in statutory tax rate on deferred taxes	**–**	–	1.6
Other	**(2.1)**	(2.3)	(1.1)
	34.8%	34.8%	37.5%

As discussed in Note 1, the Company adopted SFAS 109 in 1993, effective October 1, 1992. The adoption of SFAS 109 changed the Company's method of accounting for income taxes from the deferred method to the asset and liability method. SFAS 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Differences between financial reporting and tax bases arise most frequently from differences in timing of income and expense recognition and as a result of business acquisitions.

As a result of adoption, the Company recognized a benefit in 1993 of $30.0 million, or $.06 per share, representing the cumulative effect of the change on results for years prior to October 1, 1992. The cumulative effect represented the adjustment of previously recorded deferred tax assets and liabilities to reflect the lower prevailing tax rates and the establishment of previously unrecorded deferred tax liabilities. The adoption had no effect on pre-tax income in 1993.

In 1995 and 1994, income tax benefits of $90.0 and $12.6 million, respectively, were allocated to stockholders' equity. Such benefits were attributable to employee stock option transactions.

8 Pension and Other Benefit Programs

The Company contributes to various pension plans under union and industry-wide agreements. In 1995, 1994 and 1993, the costs recognized under these plans were $14.3, $13.1 and $16.1 million, respectively. The Company's share of the unfunded liability, if any, related to these multi-employer plans is not material.

The Company also maintains pension plans covering most of its domestic salaried and hourly employees not covered by union or industry-wide pension plans and a non-qualified, unfunded retirement plan for key employees. With respect to its qualified defined benefit pension plans, the Company's policy is to fund, at a minimum, the amount necessary on an actuarial basis to provide for benefits in accordance with the requirements of ERISA. Benefits are generally based on years of service and/or compensation.

The funded status of the plans and the amounts included in the Company's consolidated balance sheet are as follows.

	1995	1994
Plan assets at fair value, primarily publicly traded stocks and bonds	**$ 631.6**	$ 484.8
Actuarial present value of projected benefit obligations		
Accumulated benefit obligations		
Vested	**(498.9)**	(383.2)
Non-vested	**(18.1)**	(20.3)
Provision for future salary increases	**(86.6)**	(72.2)
Excess of plan assets over projected benefit obligations	**28.0**	9.1
Unrecognized net loss	**98.2**	82.3
Unrecognized prior service benefit	**(5.2)**	(10.6)
Unrecognized net obligation	**3.4**	3.7
Prepaid pension cost	**$ 124.4**	$ 84.5

Net pension cost in 1995, 1994 and 1993 amounted to $33.1, $36.5 and $32.0 million, respectively.

The weighted average discount rate was 7.5% for 1995 and 8.5% for 1994 and 1993, and the expected long-term rate of return on plan assets was

9.5% for 1995, 1994 and 1993. The assumed rate of increase in compensation for the salaried plans was 5.8% for 1995, 6.3% for 1994, and 6.8% for 1993. The mortality table used is the 1983 Group Annuity Mortality Table for Males and Females.

The Company sponsors a plan to provide postretirement medical benefits to most of its domestic salaried and hourly employees, and contributes to multi-employer welfare plans to provide similar benefits to certain employees under collective bargaining agreements. Employees hired after January 1, 1994 are not eligible for postretirement medical benefits. The Company funds its postretirement health benefit liability on a discretionary basis.

As discussed in Note 1, the Company adopted SFAS 106 in 1993, effective October 1, 1992. SFAS 106 requires accrual of postretirement benefit costs to actuarially allocate such costs to the years during which employees render qualifying service. Previously, such costs were expensed as actual claims were paid. SFAS 106 also requires recognition of the unfunded and previously unrecognized accumulated postretirement benefit obligation ("transition obligation") for all participants in the Company-sponsored plan. The Company elected to immediately recognize the transition obligation, which resulted in a charge against income of $130.3 million, or $.24 per share, after related income tax benefit of $71.7 million, which represented the cumulative effect of the change in accounting on results prior to October 1, 1992. Under the provisions of SFAS 106, postretirement benefit expense in 1993 exceeded the amount under the previous accounting method by $17.0 million after-tax, or $.03 per share.

The funded status of the plan and the amounts included in the Company's consolidated balance sheet are as follows.

	1995	1994
Actuarial present value of accumulated postretirement benefit obligation		
Retirees	**$ 53.9**	$ 46.9
Fully eligible active plan participants	**32.4**	57.8
Other active plan participants	**75.5**	77.7
	161.8	182.4
Plan assets at fair value, primarily publicly traded stocks and bonds	**(107.3)**	(78.1)
Unrecognized net gain	**(14.9)**	(23.1)
Unrecognized prior service cost	**111.5**	129.0
Accrued postretirement benefit cost	**$ 151.1**	$ 210.2

Net postretirement benefit (gain) cost in 1995, 1994 and 1993 amounted to $(42.7), $13.9 and $29.8 million, respectively.

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.5% for 1995 and 8.5% for 1994 and 1993. The expected long-term rate of return on plan assets was 9.5% for 1995, 1994 and 1993.

The annual rate of increase in the per capita cost of covered health care benefits was assumed to be 7% in 1995, 1994 and 1993. An increase in the assumed health care cost trend rate of 1% for each year would increase the postretirement benefit obligation as of September 30, 1995 and 1994 by $34.8 and $39.2 million, respectively, and the net service and interest cost components of net postretirement benefit cost for 1995, 1994 and 1993 by $5.5, $7.1 and $8.1 million, respectively.

9 Stockholders' Equity

(Shares in millions)	Shares	Common Stock	Paid-in Capital	Retained Earnings
Balance at September 30, 1992	552.2	$ 13.8	$ 606.1	$ 4,661.9
Exercise of stock options, net	12.4	0.3	256.2	–
Dividends ($.24 per share)	–	–	–	(128.6)
Net income	–	–	–	299.8
Balance at September 30, 1993	564.6	14.1	862.3	4,833.1
Exercise of stock options, net	2.4	0.1	68.8	–
Dividends ($.2875 per share)	–	–	–	(153.2)
Net income	–	–	–	1,110.4
Balance at September 30, 1994	567.0	14.2	931.1	5,790.3
Exercise of stock options, net	8.4	0.2	280.8	–
Dividends ($.345 per share)	–	–	–	(180.0)
Net income	–	–	–	1,380.1
Balance at September 30, 1995	575.4	$ 14.4	$ 1,211.9	$ 6,990.4

In June 1989, the Company adopted a stockholders' rights plan. The plan becomes operative in certain events involving the acquisition of 25% or more of the Company's common stock by any person or group in a transaction not approved by the Company's Board of Directors. Upon the occurrence of such an event, each right, unless redeemed by the Board, entitles its holder to purchase for $350 an amount of common stock of the Company, or in certain circumstances the acquirer, having a market value of twice the purchase price. In connection with the rights plan, 7.2 million shares of preferred stock were reserved.

At September 30, 1995 and 1994, the Company's cumulative foreign currency translation adjustments were $37.3 and $59.1 million, net of deferred taxes of $17.6 and $27.5 million, respectively.

Treasury stock activity for the three years ended September 30, 1995 was as follows.

(Shares in millions)	Shares	Treasury Stock
Balance at September 30, 1992	27.8	$ 664.1
Common stock repurchased	0.9	31.6
Common stock trade-ins on exercised options	0.4	20.0
Balance at September 30, 1993	29.1	715.7
Common stock repurchased	13.8	570.7
Balance at September 30, 1994	42.9	1,286.4
Common stock repurchased, net	8.1	316.8
Balance at September 30, 1995	51.0	$ 1,603.2

On November 21, 1994, the authorized share repurchase amount under the Company's share repurchase program was increased from 90 million to 180 million shares. Since the program's inception, a total of 75.5 million shares have been repurchased at prevailing market prices.

10 Stock Incentive Plans

Under various plans, the Company may grant stock option and other awards to key executive, management and creative personnel. Transactions under the various stock option and incentive plans for the periods indicated were as follows.

(Shares in millions)	**1995**	1994	1993
Outstanding at beginning of year	**38.8**	36.4	44.3
Awards canceled	**(3.3)**	(1.6)	(1.1)
Awards granted	**7.8**	6.5	5.6
Awards exercised	**(8.2)**	(2.5)	(12.4)
Outstanding at September 30	**35.1**	38.8	36.4
Exercisable at September 30	**14.6**	17.5	13.4

Stock option awards are granted at prices equal to at least market price on the date of grant. Options outstanding at September 30, 1995 and 1994 ranged in price from $5.56 to $57.44 and $3.61 to $47.31 per share, respectively. Options exercised ranged in price from $3.61 to $57.44 per share in 1995, from $3.23 to $41.00 per share in 1994, and from $3.23 to $33.35 per share in 1993. Shares available for future option grants at September 30, 1995 were 14.4 million.

11 Detail of Certain Balance Sheet Accounts

	1995	1994
Receivables		
Trade, net of allowances	**$ 1,593.1**	$ 1,328.4
Other	**199.7**	342.1
	$ 1,792.8	$ 1,670.5
Other Assets		
Intangibles	**$ 318.3**	$ 311.0
Other	**905.3**	625.8
	$ 1,223.6	$ 936.8
Accounts Payable and Other Accrued Liabilities		
Accounts payable	**$ 2,130.7**	$ 1,771.8
Payroll and employee benefits	**646.7**	638.6
Other	**65.1**	64.4
	$ 2,842.5	$ 2,474.8

12 Pre-Opening Costs

As discussed in Note 1, during 1993 the Company changed its method of accounting for pre-opening costs. In years prior to 1993, project-related pre-opening costs were capitalized and amortized on a straight-line basis over periods of up to five years. Under the new method, project-related pre-opening costs are expensed as incurred. The cumulative effect of the change in method on prior years was a charge against income of $271.2 million, or $.50 per share, after related income tax benefit of $71.0 million, of which $233.0 million related to the impact of the accounting change on the Company's investment in Euro Disney. The effect of the change was to increase income in 1993 by $40.2 million after-tax, or $.07 per share.

13 Segments

Business Segments	**1995**	1994	1993
Capital Expenditures			
Filmed entertainment	**$ 125.0**	$ 100.7	$ 130.2
Theme parks and resorts	**635.5**	846.4	593.4
Consumer products	**115.4**	61.1	36.3
Corporate	**20.6**	17.9	54.0
	$ 896.5	$ 1,026.1	$ 813.9

Depreciation Expense			
Filmed entertainment	**$ 61.6**	$ 49.1	$ 38.5
Theme parks and resorts	**319.5**	289.2	269.2
Consumer products	**52.2**	38.3	26.2
Corporate	**36.9**	33.1	30.3
	$ 470.2	$ 409.7	$ 364.2
Identifiable Assets			
Filmed entertainment	**$ 4,834.2**	$ 3,791.5	$ 3,417.5
Theme parks and resorts	**6,073.9**	5,706.9	5,216.0
Consumer products	**962.0**	845.3	707.5
Corporate	**2,202.8**	1,852.7	2,410.1
Investment in Euro Disney	**532.9**	629.9	–
	$14,605.8	$12,826.3	$11,751.1
Supplemental Revenue Data			
Filmed entertainment			
Theatrical product	**$ 4,452.5**	$ 3,734.2	$ 2,764.4
Theme parks and resorts			
Admissions	**1,346.0**	1,179.6	1,215.6
Merchandise, food and beverage	**1,423.6**	1,238.1	1,232.7

Geographic Segments	**1995**	1994	1993
Domestic Revenues			
United States	**$ 9,311.0**	$ 7,697.6	$ 6,710.8
United States export	**547.8**	458.0	399.8
International Revenues			
Europe	**1,552.1**	1,344.8	984.6
Rest of world	**701.2**	554.7	434.0
	$12,112.1	$10,055.1	$ 8,529.2
Operating Income			
United States	**$ 1,745.8**	$ 1,392.7	$ 1,591.7
Europe	**464.1**	405.0	121.8
Rest of world	**323.2**	226.0	82.5
Unallocated expenses	**(87.4)**	(58.0)	(71.5)
	$ 2,445.7	$ 1,965.7	$ 1,724.5
Identifiable Assets			
United States	**$13,437.5**	$11,306.1	$11,084.5
Europe	**1,060.2**	1,237.8	519.7
Rest of world	**108.1**	282.4	146.9
	$14,605.8	$12,826.3	$11,751.1

14 Financial Instruments

As discussed in Note 1, the Company adopted the method of accounting prescribed by SFAS 115 *Accounting for Certain Investments in Debt and Equity Securities* in 1995. As of September 30, 1995, the Company held $95.8 million of securities classified as trading and $403.0 and $307.3 million of securities and cash equivalents, respectively, classified as available-for-sale. In 1995, realized gains and losses on available-for-sale securities, determined principally on an average cost basis, unrealized gains and losses on available-for-sale securities and the change in the net unrealized gain on trading securities were not material.

Financial Risk Management

The Company is exposed to the impact of interest rate changes. The Company's objective is to manage the impact of interest rate changes on earnings and cash flows and on the market value of its investments and borrowings.

The Company transacts business in virtually every part of the world and, accordingly, is subject to risks associated with changing foreign exchange rates. The Company's objective is to reduce earnings and cash flow volatility associated with foreign exchange rate changes to allow management to focus its attention on its core business issues and challenges. Accordingly, the Company enters into various contracts which change in value as foreign exchange rates change to protect the value of its existing foreign currency assets and liabilities, commitments and anticipated foreign currency revenues. By policy, the Company maintains hedge coverage between minimum and maximum percentages of its anticipated foreign exchange exposures for each of the next five years. The gains and losses on these contracts offset changes in the related exposures.

It is the Company's policy to enter into foreign currency and interest rate transactions only to the extent considered necessary to meet its objectives as stated above. The Company does not enter into foreign currency or interest rate transactions for speculative purposes.

Interest Rate Risk Management

The Company uses interest rate swaps and other instruments to manage net exposure to interest rate changes related to its portfolio of investments and borrowings and to lower its overall borrowing costs. Significant interest rate risk management instruments held by the Company at September 30, 1995 and 1994 are described below.

Interest Rate Risk Management - Investment Transactions

At September 30, 1995 and 1994, the Company had outstanding interest rate swaps designated as hedges of investments with notional amounts totaling $153.9 and $131.3 million, respectively, which expire in six to seven years, and $225.2 and $461.5 million, respectively, of options, futures and forward contracts which expire in one to three years.

At September 30, 1994, the Company had outstanding spreadlock contracts with notional amounts totaling $250.0 million. These contracts matured during 1995, and the realized gains and losses are included in investment and interest income.

Interest Rate Risk Management - Borrowings

At September 30, 1995 and 1994, the Company had outstanding interest rate swaps on its borrowings with notional amounts totaling $685.0 and $590.0 million, respectively, which effectively converted medium-term notes to commercial paper or LIBOR-based variable rate instruments, and $395.0 million at September 30, 1994, which effectively converted senior participating notes to LIBOR-based variable rate instruments. These swap agreements expire in one to 14 years. In anticipation of the acquisition of Cap Cities (see Note 2), the Company has entered into forward-starting interest rate swaps designated as hedges of anticipated borrowings with notional amounts totaling $4.4 billion. These swaps will become effective in 1996 and will effectively convert acquisition-related floating-rate borrowings into fixed-rate instruments. These swaps expire in three to ten years.

Interest Rate Risk Management - Summary of Transactions

The following table reflects incremental changes in the notional or contractual amounts of the Company's interest rate contracts during 1995 and 1994. Activity representing renewal of existing positions is excluded.

	Balance at September 30, 1994	Additions	Maturities/ Expirations	Terminations	Balance at September 30, 1995
Pay floating swaps	$ 1,037.4	$ 983.9	$ (135.0)	$(1,167.4)	$ 718.9
Pay fixed swaps	213.1	4,606.5	–	(139.6)	4,680.0
Spreadlock contracts	250.0	–	(250.0)	–	–
Forward contracts	100.7	294.1	(394.8)	–	–
Futures contracts	266.4	288.9	(238.6)	(193.2)	123.5
Option contracts	94.4	238.8	(190.4)	(41.1)	101.7
	$ 1,962.0	$ 6,412.2	$(1,208.8)	$(1,541.3)	$ 5,624.1

	Balance at September 30, 1993	Additions	Maturities/ Expirations	Terminations	Balance at September 30, 1994
Pay floating swaps	$ 1,431.7	$ 1,047.4	$ (590.7)	$ (851.0)	$ 1,037.4
Pay fixed swaps	717.6	141.8	–	(646.3)	213.1
Spreadlock contracts	50.0	300.0	–	(100.0)	250.0
Forward contracts	212.1	96.5	–	(207.9)	100.7
Futures contracts	18.7	824.3	(5.3)	(571.3)	266.4
Option contracts	65.8	727.6	(147.6)	(551.4)	94.4
	$ 2,495.9	$ 3,137.6	$ (743.6)	$(2,927.9)	$ 1,962.0

The impact of interest rate risk management activities on income in 1995 and 1994 and the amount of deferred gains and losses from interest rate risk management transactions at September 30, 1995 and 1994 were not material.

Foreign Exchange Risk Management

Most foreign exchange hedging contracts are option strategies providing for the sale of foreign currencies which hedge probable, but not firmly committed, revenues. While these hedging instruments are subject to fluctuations in value, such fluctuations are offset by changes in the value of the underlying exposures being hedged. The principal currencies hedged are the Japanese yen, French franc, German mark, Italian lira, British pound, Canadian dollar, and Spanish peseta.

Foreign Exchange Risk Management Transactions

The Company uses option contracts to hedge anticipated foreign currency revenues and forward contracts to hedge foreign currency assets and foreign currency payments the Company is committed to make in connection with the construction of two cruise ships (see Note 15). Cross-currency swaps are used to hedge foreign currency-denominated borrowings.

At September 30, 1995 and 1994, the notional amounts of the Company's foreign exchange risk management contracts, net of notional amounts of contracts with counterparties against which the Company has a legal right of offset, the related exposures hedged and contract maturities are as follows.

	1995		
	Notional Amount	**Exposures Hedged**	**Fiscal Year Maturity**
Option contracts	**$ 5,070.5**	**$ 2,869.3**	**1996-1999**
Forward contracts	**1,939.7**	**1,195.6**	**1996-1999**
Cross-currency swaps	**350.1**	**350.1**	**1997-1998**
	$ 7,360.3	**$ 4,415.0**	

	1994		
	Notional Amount	Exposures Hedged	Fiscal Year Maturity
Option contracts	$ 6,160.8	$ 2,337.4	1995-1998
Forward contracts	1,274.8	918.5	1995-1996
Cross-currency swaps	365.2	372.0	1995-1998
	$ 7,800.8	$ 3,627.9	

Gains and losses on contracts hedging anticipated foreign currency revenues and foreign currency commitments are deferred until such revenues are recognized or such commitments are met, and offset changes in the value of the foreign currency revenues and commitments. At September 30, 1995, the Company had net deferred losses of $188.9 million related to foreign currency hedge transactions, which will be recognized in income over the next four years. Amounts recognizable in any one year are not material and will be offset by gains in the value of the related hedged transactions. Deferred gains and losses from foreign exchange risk management transactions at September 30, 1994 were not material.

The impact of foreign exchange risk management activities on income in 1995 and 1994 was not material.

Fair Value of Financial Instruments

At September 30, 1995 and 1994, the Company's financial instruments included cash, cash equivalents, investments, borrowings and interest rate and foreign exchange risk management contracts.

At September 30, 1995, the fair values of cash and cash equivalents, commercial paper and securities sold under agreements to repurchase approximated carrying values because of the short-term nature of these instruments. The estimated fair values of other financial instruments subject to fair value disclosures, determined based on broker quotes or quoted market prices or rates for the same or similar instruments, and the related carrying amounts at September 30, 1995 are as follows.

	Carrying Amount	Fair Value
Investments	$ 498.8	$ 498.8
Borrowings	(2,984.3)	(3,151.3)
Risk management contracts	180.7	137.1
	$ (2,304.8)	$ 2,515.4

At September 30, 1994, the estimated fair values of each class of the Company's financial instruments either approximated carrying values, or were not material.

Credit Concentrations

The Company continually monitors its positions with, and the credit quality of, the financial institutions which are counterparties to its financial instruments and does not anticipate nonperformance by the counterparties. The Company would not realize a material loss as of September 30, 1995 in the event of nonperformance by any one counterparty. The Company enters into transactions only with financial institution counterparties which have a credit rating of A- or better. The Company's current policy in agreements with financial institution counterparties is generally to require collateral in the event credit ratings fall below A-. In addition, the Company limits the amount of credit exposure with any one institution. At September 30, 1995, neither the Company nor its counterparties were required to collateralize their respective financial instrument obligations.

The Company's trade receivables and investments do not represent significant concentrations of credit risk at September 30, 1995, due to the wide variety of customers and markets into which the Company's products are sold, their dispersion across many geographic areas, and the diversification of the Company's portfolio among instruments and issuers. (See Note 3 for a discussion of the Company's investment in Euro Disney).

15 Commitments and Contingencies

The Company, together with, in some instances, certain of its directors and officers, is a defendant or co-defendant in various legal actions involving copyright, breach of contract and various other claims incident to the conduct of its businesses. Management does not expect the Company to suffer any material liability by reason of such actions, nor does it expect that such actions will have a material effect on the Company's liquidity or operating results.

During 1995, the Company entered into agreements with a shipyard to build two cruise ships for its Disney Cruise Lines. Under the agreements, the Company is committed to make payments totaling approximately $700 million through 1999.

QUARTERLY FINANCIAL SUMMARY
(In millions, except per share data)
(Unaudited)

	December 31	March 31	June 30	September 30
1995				
Revenues	$ 3,301.7	$ 2,922.8	$ 2,764.0	$ 3,123.6
Operating income	790.8	606.6	562.3	486.0
Net income	482.4	315.5	318.2	264.0
Earnings per share	.91	.60	.60	.50
Dividends per share	.075	.090	.090	.090
Market price per share				
High	46 7/8	56 1/4	60	62 3/4
Low	37 3/4	45	52 7/8	50 1/2
1994				
Revenues	$ 2,727.3	$ 2,275.8	$ 2,353.6	$ 2,698.4
Operating income	624.4	410.0	492.6	438.7
Net income	368.6	248.4	267.5	225.9
Earnings per share	.68	.45	.49	.42
Dividends per share	.0625	.075	.075	.075
Market price per share				
High	45 3/8	48 5/8	45 1/8	44 1/4
Low	37 1/8	40 7/8	39 5/8	38 3/4

SELECTED FINANCIAL DATA
(In millions, except per share and other data)

	1995	1994	1993	1992	1991
Statement of Income					
Revenues	**$ 12,112.1**	$ 10,055.1	$ 8,529.2	$ 7,504.0	$ 6,112.0
Operating income	**2,445.7**	1,965.7	1,724.5	1,435.3	1,094.5
Income before cumulative effect of accounting changes	**1,380.1**	1,110.4	671.3	816.7	636.6
Cumulative effect of accounting changes	—	—	(371.5)	—	—
Net income	**1,380.1**	1,110.4	299.8	816.7	636.6
Per Share					
Earnings before cumulative effect of accounting changes	**$ 2.60**	$ 2.04	$ 1.23	$ 1.52	$ 1.20
Cumulative effect of accounting changes	—	—	(.68)	—	—
Earnings	**2.60**	2.04	.55	1.52	1.20
Cash dividends	**.35**	.29	.24	.20	.17
Balance Sheet					
Total assets	**$ 14,605.8**	$ 12,826.3	$ 11,751.1	$ 10,861.7	$ 9,428.5
Borrowings	**2,984.3**	2,936.9	2,385.8	2,222.4	2,213.8
Stockholders' equity	**6,650.8**	5,508.3	5,030.5	4,704.6	3,871.3
Statement of Cash Flows					
Cash flow from operations	**$ 3,510.1**	$ 2,807.3	$ 2,145.2	$ 1,838.1	$ 1,496.7
Investing activities	**(2,288.4)**	(2,886.7)	(2,659.7)	(1,923.7)	(1,726.3)
Financing activities	**(332.1)**	(96.7)	112.7	(35.7)	295.9
Other					
Stockholders at year end	**508,000**	459,000	408,000	310,000	189,000
Employees at year end	**71,000**	65,000	62,000	58,000	58,000

Management's Responsibility for Financial Statements

Management is responsible for the preparation of the Company's consolidated financial statements and related information appearing in this annual report. Management believes that the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements reasonably present the Company's financial position and results of operations in conformity with generally accepted accounting principles. Management also has included in the Company's financial statements amounts that are based on estimates and judgments which it believes are reasonable under the circumstances.

The independent accountants audit the Company's consolidated financial statements in accordance with generally accepted auditing standards and provide an objective, independent review of the fairness of reported operating results and financial position.

The Board of Directors of the Company has an Audit Review Committee composed of four non-management Directors. The Committee meets periodically with financial management, the internal auditors and the independent accountants to review accounting, control, auditing and financial reporting matters.

Report of Independent Accountants

To the Board of Directors and Stockholders of
The Walt Disney Company

In our opinion, the consolidated balance sheet (page 55) and the related consolidated statements of income (page 54) and of cash flows (page 56) present fairly, in all material respects, the financial position of The Walt Disney Company and its subsidiaries (the "Company") at September 30, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1995, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Notes 1, 7, 8 and 12 to the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards ("SFAS") 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and SFAS 109, "Accounting for Income Taxes," and changed its method of accounting for pre-opening costs in fiscal 1993.

Price Waterhouse LLP

Los Angeles, California
November 27, 1995

Supplemental Information

Stock Exchanges

The Common Stock of the Company is listed for trading on the New York (principal market), Pacific, Swiss and Tokyo Stock Exchanges. Certain debt securities of the Company are listed on the Luxembourg and Swiss Stock Exchanges.

Registrar and Stock Transfer Agent

The Walt Disney Company
4130 Cahuenga Blvd., #310
North Hollywood, California 91602
(818) 505-7040

Independent Accountants

Price Waterhouse LLP, Los Angeles

Other Information

A copy of the Company's annual report to the Securities and Exchange Commission (Form 10-K) will be furnished without charge to any stockholder upon written request.

A copy of the Company's quarterly reports will be furnished without charge to any stockholder whose stock is held by a broker upon written or telephone request.

All written requests should be sent to Shareholder Services, The Walt Disney Company, 500 South Buena Vista Street, Burbank, California 91521-7320. Telephone requests can be made to (818) 505-7040.

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The Walt Disney Company

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Center for Early Education

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Sanford M. Litvack
Senior Executive Vice President and Chief of Corporate Operations

John F. Cooke
Executive Vice President-Corporate Affairs

Lawrence P. Murphy
Executive Vice President and Chief Strategic Officer

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Barton K. Boyd

Disney Design and Development
Peter S. Rummell

Disneyland Paris
Philippe Bourguignon

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Richard A. Nunis, Chairman
Judson C. Green, President

Walt Disney Feature Animation
Roy E. Disney, Chairman
Peter Schneider, President

Walt Disney Imagineering
Martin A. Sklar

Walt Disney Motion Pictures
Joseph E. Roth

Walt Disney Television and Telecommunications
Dennis F. Hightower

Designer: John Jensen

Photographers: Gary Krueger, Louis Psihoyos, Ida Mae Astute, Paul Jasienski, Steve Fenn, Brent Petersen, Melinda Sue Gordon, James Bridges, Sidney Baldwin, Ken Regan, Kelvin Jones, Jim McHugh, V. J. Lovero, Leslie Wong, Bob Strauss, Paul Sutton, Heing Kluetmeier, Timothy White

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